Monday November 10 1986

D 8523 B

World news

Business summary

No. 30,080

Boost for Kohl in regional elections offer

West Germany's opposition Social Democratic party (SPD) suffered a crushing defeat yesterday in impor-tant regional alections in the northern city of Hamburg.

Gains by the conservative Christian Democratic Union (CDU) gave Mr Helmut Kohl, the Chancellor and CDU chairman, another pow-erful boost in the campaign leading to the country's general elections on January 25.

Last night's results look likely to lead to complicated coalition nego-tiations between the SPD and CDU over forming a new government for the Hamburg city-state. Page 24

Tamils held

Several hundred Tamil militants were detained in the south Indian city of Madras and a large quantity of arms seized as Sri Lankan guerrillas predicted a co-ordinated push by New Delhi and Colombo to end the Tamil insurgency. Page 4

Atomic accord

An agreement between Cuba and Argentina calling for collaboration in the peaceful use of atomic energy, the first of its kind in Letin America, has been signed in Havana.

Britain defies boycott

Britain defied a west European boycott of ceremonies honouring South Africans killed in both world wars, Britain, the US and Taiwan were the only foreign countries represented at a ceremony in Johannes-burg attended by President P. W. Botha.

Soweto gun battle

South African police fought a gun battle with black youths as the lat-est round of violence continued in the township of Soweto, Johannes-burg. There were no injuries in the clash.

PLO pledge:

The Palestine Liberation Organisa-tion said it would continue its mili-tury operations against Israel desraeli leftists in Romania.

Air suspect arrest Japan arrested a man suspected of

smuggling a grenade aboard the Thai Airways aircraft that made a forced landing last month after a mid-air explosion. Israel denies kidnap Israel admitted holding Mordechai Vanunu, said to have leaked details

of the country's nuclear weapons,

but denied kidnapping him in Brit-

Volcano victim Vincenzo Monti, a 20 year-old Italian, fell to his death on Mount Etna, Sicily, after the remains of a lava flow crumbled beneath him.

Tankers attacked

fragi military aircraft were reported to have hit two supertankers, one with a Cyprus flag, the other francan, in a renewal of Gulf war raids on shipping.

Whaling boats sink

Two whaling boats sank in Reykja-vik harbour, Iceland, and harbour officials said they were probably sabotaged. Iceland has been urged by the US to half whaling.

Melilla vote

Moslem inhabitants of Spain's north African enclave of Melilla have voted to end all contacts with the government in Madrid, saying they have been deceived over promises of Spanish nationality.

Aguino's warning

Philippine President Corazon Aquino warned dissident military groups against staging a coup during her four-day visit to Japan which begins today. Page 6

Hutton rebuffs \$1.6bn

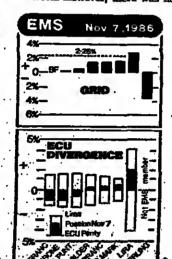
E F HUTTON, troubled Wall Street brokerage firm, has rebuffed a \$1.6bn takeover approach by American Express, US financial services giant, Page 24

BURROUGHS, Detroit-based computer maker, is selling the bulk of its Memorex computer peripheral operations for \$500m to an investor roup which includes several senio emorex executives, Page 25

WICKES, US building products and retail group, said it had agreed to acquire Collins & Alkman, major producer of textila products, for \$1.16bn in a cash merger. Page 25

AMSTRAD'S next generation of personal computers is likely to be even cheaper than that recently launched through savings on key components. Page 9

EUROPEAN Monetary System: The Danish krone and the Belgian franc remained close together as the two weakest members of the system last week. However, there was no



rencies started to recover slowly against the D-Mark. This was possible because of the D-Mark's failure to regain recent losses against the US dollar. A stronger D-Mark members as funds are switched into the German currency to a greater extent than into other EMS curren-

The chart shows the two constraints on European Monetary System ex-change rates. The upper grid, based on the weakest currency in the syson the weatest currency in the sys-tem, defines, the cross rules from which no currency (except the lira) may move more than 2% per cent. The lower chart gives each curren-cy's divergence from its "central rate" against the European Curren-cy Unit (ECU), itself a basket of Eu-

UNCTAD, United Nations Conference on Trade and Development, is proposing a coordinated interna-tional effort to solve the crisis in world shipping. Page 24

ALEXANDER and Alexander, wirld's second largest insurance broker, yesterday reported a third quarter loss of \$900,000 after taking a \$16.5m charge from discontinued operations. Page 25 . . .

POWER of Canada, holding compa ny of Montreal financier Mr Paul Desmarais, and its financial services arm have reported higher earnings of CS97.9m (S75.3m) for the third quarter. Page 28

GTE. US telecommunications and electrical equipment group, took ac-tion to thwart a possible unfriendly takeover hid by announcing a buy-back of up to 10m shares. Page 28

VIRGIN GROUP plans to become the leading UK-based international media and entertainment group

the prospectus for its offer for sale, published today, says. DITTA, publicly listed property com-pany controlled by Datak Yap Yong Song, a Malaysian businessman,

DAVY, UK engineering contractor, is to build a \$200m chemical plant

Netherlands on the alert as Rhine pollution spreads

BY DAVID MARSH IN BONN AND LAURA RAUN IN AMSTERDAM

from Switzerland as a wave of polhition caused by last weekend's fire at the Sandoz chemical company in Basic spread down the Rhine. Meanwhile, the Netherlands moved swiftly yesterday to counter

the effects of the toxic chemicals being washed down one of Western

Europe's greatest rivers.
The accident, which has killed

BY QUENTIN PEEL IN BRUSSELS

states of the EEC are set today to

agree on a four-part package of ac-tions against Syria, including a ban on armes sales, in support of Brit-

ain's decision to break off diplomat-

The measures are expected to be

approved by the Community for-eign ministers meeting in London,

following their failure to agree on

any concerted action at their last

meeting in Laxembourg and subse-quent high-level negotiations among senior officials last week in

The single member state still holding out against the package, and indeed any measures to isolate Syria, is Greece, But British offi-

rials are hoping to persuade Athens

to agree. However, the measures

seem certain to be taken by the 11,

Mr Helmut Kohl, the West Ger-

man Chancellor, and Mr Jacques.

Chirac, the French Prime Minister,

yesterday held out the possibility that EFC foreign ministers meeting today would decide a joint line to intensify action against Syria

After a hunchtime meeting at Mr

Kohl's home near Lodwigshafen on

the Rhine, Mr Kohl said the foreign

minister's session was likely to find

Britain in the diplomatic crisis over

Mr Chirac said he believed EEC

solidarity over the affair should be

possible" at today's gathering.

usible solution to back up

over international terrorism.

regardless of the Greek attitude.

ic relations last month.

WEST GERMANY yesterday fish and eels in the Rhine and stepped up its calls for damages prompted emergency procedures to prompted emergency procedures to safeguard municipal water supplies, is emerging as one of Enrope's most serious environmental

It seems likely to increase further general concern over international control of evironmental damage. Europe's greatest rivers.

This has already become a significant issue in European public opinion following the Chernobyl nuclear wire demands of reactor disaster in the Soviet Union cial Democratic Party (SPD) yester-

EEC set to agree

t response to British evidence

April, a crime for which Jordanian Nezar Hindawi was sentenced last

month to 45 years' imprisonment.

Details of the implementation of

the four measures have to be fina-

lised at today's meeting. They still fall short of the full range proposed by Sir Geoffrey Howe, the British Foreign Secretary, at the Luxem-

bourg meeting.

They include: a ban on arms

tween EEC countries and Syria;

tighter restrictions on activities of

Syrian embassies in the Communi-

ty - as yet unspecified; and tighter

Arab Airlines.

curity and surveillance of Syrian

In addition to those measures,

the British Government has prom-

quate preparation.

The ministers did agree on that

occasion on a statement expressing understanding and support for the British action in severing its diplo-

matic relations with Damescus -

except for Greece, which rejected

the evidence of Syrian involvement

ending high-level visits be-

of Syrian involvement in the at-tempted bombing of an Israeli El Al London to any Syrian embassy in airliner at Heathrow airport last their own capitals.

ised to veto any renewal of the curarms sales to Syria, France was rent EEC financial aid for Syria, ready even in Luxembourg to agree

arms sales ban

against Syrians

The question of compensation for day criticised Mr Walter Wallmann, ing to alert neighbouring countries damage caused by poisonous waste the Minister for Environment and to the extent of damage caused by in the Rhine is being discussed between the West German Government and the Rhine-side states which have responsibility for environmental issues. The states of Rhineland Palatinate, Baden-Württemberg and Hesse, however,

Other measures on the table in

Luxembourg included visa restric

tions on Syrian nationals and the

recall of EEC ambassadors for con-

sultations. The latter gesture has

only been carried out by Belgium of the KEC members - although Cana-

British officials insisted yester

day that the row in Paris over al-

Times - quoting West German Gov-ernment suspicions that the bomb plot at Heathrow was actually engineered by Mossad, the Israeli

secret service - would not affect to-

day's meeting. In spite of reports in

the French press about impending

da and the US both did so.

of the full consequences Mr Wallmann has called a meet-

ing today of the Rhine protection litres of mercury wastes leaked into commission, grouping federal and the river at the Sandoz works at the state representatives, for today to end of last week. discuss the economic and environmental costs of the accident.

The Federal Government has already accused Switzerland of fail-

Reacter Safety, for what it claimed the November 1 fire. The "second was his failure to inform the public wave" of pollution travelling down river yesterday consisted of a 70km stream containing several thousand

An internal report of the Associa-tion of German Chemical Indus-

Continued on Page 24

Lawson ready to back pound with rates rise

BY PETER RIDDELL AND JANET BUSH IN LONDON

MR NIGEL LAWSON, the UK fourth recent poll putting the Tories Chancellor of the Exchequer, does in the lead. not want to see sterling going any lower and would be prepared to raise interest rates again if there is

Mr Lawson sought during a television interview yesterday to damp-en election speculation and reas-sure financial markets about the Government's fiscal and monetary prodence in the wake of the large increases in public spending an-nounced on Thursday.

After arguing that the foreign ex-change markets had already taken into account the forecast current account deficit next year, Mr Lawson claimed that sterling might come under pressure for political reasons with fears of the impact of a Labour leged remarks by Mr Chirac in an Government. That is something which I have to contend with, It may require interest rates to rise and if so, so be it. If there is pressure on sterling, then that is how we have responded in the past and that is how we would have to respond in the inture."

which expires at the end of the on the proposed han on such conmonth.

Successful agreement on the fracts.

France and West Germany are package at today's meeting should to have assured to the British evidence of Syrian into account on the British evidence of Syrian into account into account on the British evidence of Syrian into account of the British evidence of Syrian into account on the British evidence of Syrian into account of the Britis "Certainly I have no wish to see sterling go any lower. There had to be a fall in the exchange rate in order to adjust for the very sharp fall in the oil price. That inevitably had to occur and has now harpen This goes further than his com-

ment in his speech three weeks ago The foreign ministers' meeting when, similarly relating sterling to the statement that there were of East-West relations in the wake clearly limits to the necess of the Reagan-Gorbachev summi esirable extent of that fall." at Reykjavik, and last week's abortive talks between the two super-Mr Lawson also sought to cool powers in Vienna.

the growing speculation about an early general election. This has Chirac row, Page 24 been further fuelled by a Market and Opinion Research International poll putting the Conservatives at 40 per cent, shead of Labour at 39

The Chancellor said he was cer tain there was "no quick dash to the

country in mind." He later added "I renewed pressure against the am quite content to go the whole pound. way until 1988 and indeed it would have the advantage of giving me an extra budget in this parliament. The same themes will be rein-

forced this evening by the Prime Minister in her annual address to the Lord Mayor's Banquet in the City of London. Much of the speech, which Mrs Thatcher was draiting yesterday, will be about the economy and she is also expected, either directly or indirectly, to dampen election speculation.

Mrs Thatcher has made it known that she wants to serve at least four years from her 1983 victory before seeking re-election. This means an earliest possible date of mid-lime and most senior ministers still favour autumn next year.

However, many City commenta-tors, opposition leaders, and Con-servative MPs believe that the economic risks of delay will result in an earlier election.

Mr Lawson also attacked criticism that monetary policy had become too loose. He said there was an inconsistency between saying there is too much credit, too much money sloshing around the economy - I don't think there is - and saying at the same time that inter-

Apart from continued reaction to the autumn economic statement the other main political interest this week will be in the Queen's Speech on Wednesday outlining the Government's legislative programme and the Knowsley North local election on Thursday, which Labour is expected to win by a comfortable

names new PM amid fears over economy

US money-makers

to China, Page 24

take their skills

PRESIDENT Hosni Mubarak of Egypt yesterday appointed a new Prime Minister in a surprise an-nouncement that reflects his disquiet over a continuing deterior-ation in the Egyptian economy. There have recently been worrying increases in prices and little prog-

ress on basic economic reform.

Dr Atef Sidki, a 56-year-old economist who has not previously held political office, becomes Egypt's fourth Prime Minister in five years at a time when the country is en-gaged in sensitive talks with the In-ternational Monetary Fund (IMF) on emergency relief. His two predecessors served for about a year

While there have been persistent rumours about a possible Cabinet reshuffle, the sudden departure of Dr Ali Lutfi, the outgoing Prime

Minister, came as a surprise.
In his letter appointing Dr Sidki,
Mr Mubarak implied criticism of
the outgoing administration. He said Egypt's economic situation "still needs more and higher rates of accomplishment and progress. Egypt's President hoped the new overnment would "respond better to the aspirations and requests of

The appointment of Dr Sidki coincides with uncertainty in Egypt's financial markets over the activities of Islamic investment

Reports are circulating in Cairo of a run on one of these companies. The sector itself, which has grown fast outside effective official control, is said to be under investigation by central banking authorities. A foreign banker said the sudden

change in government was unlikely to add to Western confidence in Egypt which is burdened by foreign debts of \$38.66m and a worrying build-up of arrears on debt pay-ments which reached \$4.3hn by the middle of this year. Dr Luth, the 50-year-old technoc-rat appointed Prime Minister 14

months ago, said in his resignation letter: "Wa find it is our duty to announce that the public interest calls for giving a chance to another ue the march ... It was not immediately clear why

Dr. Lutfi resigned. Associates said that he had been unhappy at diffi-culties he faced in establishing authority over the cabinet which in-cludes powerful elements from previous administrations.

Surprise is being expressed at the choice of the relatively inexperi-enced Dr Sidki as Prime Minister at a critical time for Egypt.

White House under fire over weapons for Iran

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

The measures against Syria are a in the Hindawi case.

THE WHITE HOUSE was subjected to a barrage of criticism ye day over its handling of reports that it had sought the release of U.S. hostages held in Lebanon by supplying military equipment to Iran. Despite charges from the political opposition that the credibility of US

foreign policy was being under-mined the White House still declined to comment beyond earlier statements that disclosures put at risk efforts to free the hostages.

Mr Donald Regan, the White House chief of staff, said in a television interview yesterday that the news media did not realise how much (its reporting) puts the remaining hostages in jeopardy." He said the White House would not give a full account of its efforts to ss or the American people until "all the hostages are out."

Amid authoritative reports that Mr George Shultz, the US Secretary of State, might consider the issue as one of possible resignation, the White House stance was threatening to become a major confrontation on the direction of foreign policy between the White House and the newly elected Democratic mahas been placed under receivership jority in the Senate.

Asked about reports that Mr Shultz and Mr Caspar Weinberger, the US Defence Secretary, were fuin the US for Standard Oil Page 10 I rious about the White House-led ef-

Mr Regan said: "I have never seen them angry over what we are doing for the hostages. I simply do not believe those stories but I will leave it to them to answer any direct question you might have."

So far, however, its refusal to disclose details of its efforts to secure the release of American hostages is merely incling speculation about covert US activities.

Senator Robert Byrd, expected to be elected majority leader of the upper house in succession to Republi-can Senator Robert Dole, described the Administration's policy on the release of the hostages as "a major bbmder

He maintained yesterday that the olicy undermined the credibility of US foreign policy at home and abroad. Senator Dole has also been critical of making any "payoffs for hostages" but he indicated that he did not know whether the present reports involving Iran were true. Senator Richard Lugar, chairman

of the Senate foreign relations committee, avoided direct criticism of the White House but said he believed that Mr Shultz ought to be involved in the formulation of American foreign policy.

The White House decision to stonewall in the face of questions

leading to allegations of a cover-up. Senator Byrd said yesterday that if, as has been claimed, the White House was using the National Secarity council to run covert opera tions to evade laws requiring that agencies such as the Central Intelligence Agency report to Congress then perhaps the laws ought to be

Dr Henry Kissinger, a former US Secretary of State, argued yester-day that providing arms to Iran in return for its help in releasing hostages merely made it more likely that more hostages would be taken. It is argued that it is not in US

strategic interests for Iran to win its war with Iraq but that an American decision to supply arms or spare parts to Iran could have this effect depending on the scale of ac-

Senator Patrick Leahy, the emocrat who is vice-chairman of the Senate intelligence committee was reported yesterday as saying:
There is nothing wrong with secret
diplomacy, but if you are doing it as a way to get around specific laws. there is everything wrong. The basic question is whether they are using the National Security Council to get around American law."

Lifting the veil on covert action, Page 3

SOUTH THE SECTION SOUTH THE SECTION AND ADDRESS AND AD

per cent and the SDP/Liberal Alli-

ance at 18 per cent. This is the





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INTERVIEW

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Survey: Cayman Islands 31-34

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OVERSEAS NEWS

Neue Heimat faces fresh crisis

BY ANDREW FISHER IN FRANKFURT

OPINION IS hardening among (composition), West German banks that the floundering Neue Heimat hous-ing group sold by trade unions to a Berlin bakery owner for a nominal DM 1, cannot be kept going for much longer in

decide its fate, though most appear keen that any solution by the main banks to continue should stop short of bankruptcy. Neue Heimat owes ments, already agreed with the German and foreign banks and previous owners, until the end other creditors about DM 176bn of the year.

Rut same hanks have called

lin businessman who bought the scandal and debt-ridden group. its present form.

A meeting of the 15 main give him time to turn it round. creditor banks today could help decide its fate, though most last month with an agreement

But some banks have called in their loans and a turnround of Neue Heimat is likely to require an extension of this (£5.77bn).

Bankruptcy would lead to forced sales of homes and push down property prices. Instead,

some banks are arguing for an orderly winding up under German liquidation, or Vergleich the banks, which have set up

dradual sale of assets.

Mr Horst Schiesser, the Berthat Neue Heimat cannot be

saved. Although the unions hoped to rid themselves of an embarrassing problem, the sale concentrated public attention on the company's murky past and lax management. Mr Schiesser's own business affairs and associated the sale concentration of the company's murky past and lax management. ciates have also come under increasingly critical scrutiny.

The standing of the unions has been most tarnished by the affair. The future of Mr Ernst Breit, head of the German trade union federation (DGB), has been called into question, as that of Mr Alfons as been called into question, as has that of Mr Alfons Lappas, who was imprisoned

(composition), proceedings. a special working group to keep briefly for refusing to talk to a creditor and permitting the cial institutions informed, have gradual sale of assets.

Mr Horst Schiesser the Res. The union movement has agreed to sell Bank fuer Gemeinwirtschaft, the fifth biggest German non-state bank, to the Aachener und Muen-

chener insurance company, because of the financial impact of Neue Heimat's problems.

Mr Lappas is expected to step down shortly as head of BGAG, which owned Neue Heimat on the unions' behalf.

Whatever happens to the housing group and whether or not banks agree to extend the debt moratorium beyond 1986, the post-war concept of Gemeinwirtschaft, or capitalism with a socialist flavour, has been shattered. of Neue Helmat's problems.

Comecon party

PARTY LEADERS from the 10-

leaders arrive

in Moscow

Transport ministers in search for compromise on air fares

BY TIM DICKSON IN BRUSSELS

THE British Government's aim to force down European air fares through greater competition among airlines hinges on a crucial meeting of EEC transport ministers starting in Brussels today.

Britain claims that con-sumers would begin to feel the benefits next year if member states could agree on its new compromise proposals for more

compromise proposals for more liberalisation.

Mr John Moore, Britain's Transport Secretary and chairman of the Transport Council, however, faces an uphill struggle since several countries are clearly reluctant to approve Britain's moderately reformist package. Much will depend on France and Germany, for example, whose limited enthusiasm appears to have been waning in recent weeks.

Even if ministers can adopt

weeks.

Even if ministers can adopt a common approach their actions are bound to be fiercely criticised by consumer groups and treated with at least a degree of scepticism by the European Court of Justice in April, it was the commission which initiated much more radical initiated much more radical proposals in the summer.

Britain says these proposals conditions under which airlines had to be watered down in the can fix discount and deep disinterests of finding a consensus count fares without needing had to be watered down in the can lik discount and deep instinterests of finding a consensus count fares without needing but that they still represent a authorisation from governments, worthwhile "first step." The The proposal tabled by Britain Burean of European Consumer today is that a discount fare Unions does not share this could go as low as 65 per cent

pean producers' attempts to improve their competitive-EUROPE's leading motor manufacturers have called on the EEC to take a tough line against state aid to overseas, against state and to overseas, especially Japanese, competiors setting up factories in the community, writes William Dawkins in Brussels.

A white paper by the Committee of Common Market

Antomobile timed to coincide with today's meeting of transport minis-ters, says "Any encourage-ment towards inward investment by new overseas competitors en terms not available to established EEC manufacturers can only have a negative influence" on Euro-

optimism, claiming that the public has been. "badly mis-led," and said last week that no agreement was better than the one now on the table. Moves towards liberalising airline regulations — a system described last week by the EEC's Competition Commis-sioner Mr Peter Sutherland as "uniquely anti-competitive"divisive.
The French and the German areas: air fares, capacity sharing and market access

• There are many views on the conditions under which airlines

Sir John Egan, the com-mittee's president, presented the paper to the European mission last week in what

appears to be a direct attack on the the UK Government's assistance for the Nissan factory, which recently opened in Washington, Tyne and

The committee argued that Japanese investmen in new capacity in Europe should only be accepted if it involves a very high level of integra-tion with local industry.

and a deep discount fare to 45 per cent of the normal fare. is general agreement that the share of seats on a particular route could move to a 45/55 split in the first two years, but Britain's idea of 80/40 in the third year is likely to prove

among others may argue for a slower pace of reform while the enthusiastically liberal Dutch and Irish want to abandon seat-sharing arrangements altogether.

On market acress Eritain wants to end the old idea that EEC routes should be restric-

PARTY LEADERS from the lunation Communist trade group Comecon arrived in Moscow yesterday for a working meet-ing, the Soviet news agency Tass reported, Reuter writes from Moscow. The brief statement was the first official Soviet confirmation that the meeting was taking place. The party leaders have met very unfrequently on Comecon business.

East European sources here said on Friday that a two-day meeting of Moscow's allies would open today, partly to review the international situation since. Mr Mikhail Gorbachev, the Soviet leader, met in Iceland last month with President Ronald Reagan of the US

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Nippon Credit International

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Salomon Brothers International

Samuel Montagu & Co.

Swiss Bank Corporation International

Westpac Banking Corporation

Bankers Trust International Barclays de Zoete Wedd Citicorp investment Bank Creditanstalt-Bankverein Girozentrale und Bank der österreichischen Sparkassen Lloyds Merchant Bank National Australia Bank Shearson Lehman Brothers

> Union Bank of Switzerland (Securities)

BEHIND the bizarre mission of President Ronald Reagan's former National Security

Adviser Mr Robert McFarlane

and the effort to provide secret military advice and arms to the Contra rebels fighting the lefist Sandinista Government

in Nicaragua.
The link begins with two

men who figure largely in both operations: Mr McFarlane, a

former Marine, who resigned last December as President

Reagan's National Security

Guerrillas' threat hangs over Peru poll

3 yourself

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FINANCIAL TIME

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NAME OF TAXABLE PARTY.

1 4 Sept 1

a Moscow

By Barbara Durr in Lima

PERUVIANS go to the polls today to elect nearly 2,000 pro-vincial and district mayors for

the next three years.

The ruling party, Apra (American Popular Revolutionary Alliance), will be testing whether President Alan Garcia's named if the mopopularity can make it the un-disputed leading political force.
Soldiers will ring 45,000 poli-

disputed leading political force. Soldiers will ring 45,000 polling booths because of threats by radical Maoist Sendero Luminoso (Shining Path) rebels to disrupt the poll.

At the weekend, in the central city of Huancayo, four hooded rebels shot dead an Apra council candidate as she was broadcasting a political news programme, police said.

Apra's main competitor in the election is the left-wing coalition United Left (UL), led by the Mayor of Lima, Mr Alfonso Borrantes Lingan.

Mr Borrantes, Peru's first Marxist mayor, is fighting a tough battle for re-election. Not only has Apra mounted a vigorous campaign in Lima, but the right-wing Populer Christian Party has stood its national leader, Mr Luis Bedoya Reyes, as candidate.

The three-way race in metropolitan Lima, where one-third of the country's population is concentrated, is considered to be e guide to the country's political direction.

concentrated, is considered to be e guide to the country's political direction.

A wactory for Mr Bedoya would provide the tiggest upset. Both Apra and UL had believed the right's political future evaporated with its crushing defeat in the 1985 presidential election. One recent opinion poli, however, put Mr Bedoya ahead.

Mr Royantes where are a series of the country and the political forms of the political forms.

of Mr Borrantes wins again, he is expected to purge his coalition of its more radical left elements and set his sights on the next presidential race in 1990. He came second in the presidential contest last year Although it is contrary to his party's interests, Mr Garcia is widely believed to favour a vic-tory in Lima for the United Left leader. Mr Royrantes in the leader. Mr Borrantes, to the ire of his extreme left colleagues, has lead a mild-mannered opposition and became a friend of the president.

Apra's candidate in Lima, M Jorge del Castillo, is a relative political novice, with little per-sonality. A victory for him would be a triumph for Apra's political machine and a testi-mony on how long Mr Garcia's electoral coat tails are.

Apra, a nationalist hybrid populism and democra socialism, is expected to poll most votes in Peru's 26 dep ments. It has stood more of didates than any other pa

Left.

Lifting the veil on covert action

Lionel Barber in Washington on the Reagan Administration's liking for undercover operations

to Iran lies a running theme in Mr Reagan's foreign policy: the love of undercover Intelligence Agency (CIA) had operation in which Lt-Col directed the mining of Nicaragua's harbours and then told the Contras to claim public credit for the operation. Concredit for the operation. Conthe US and Iran. For all the half-denials in Washington, there is little gress, through its oversight committees, learnt of these covert operations only belatedly doubt that the McFarlane mission fits into a pattern of covert operations set up soon after President Reagan took office in and the ensuing controversy led directly to the cut-off of CIA

It takes its inspiration largely, but not solely from what has become known as the This was a severe blow to the Reagan Administration. Tha Contras, described by the President as "freedom fighters," faced a losing battle against the better-trained and better-equipped Sandimista troops (helped by supplies from the Soviet Union). "Reagan doctrine": US military and financial support for anti-Communist rebels in countries such as Angola, Afghanistan and Nicaragua. The Reagan Administration's activities have largely escaped public scrutiny through Con-

The private aid network grew gress, thanks to the Republican-controlled Senate's unwilling-ness to delve too deeply. That is likely to change now that the Democrats are back in con-trol following their victory last week in the mid-term elections. out of the desire to skirt the legal restrictions on US aid to the Contras. Lt Col North, work-ing with other US officials in the Pentagon and State Department, made contact through intermediaries with a string of former CIA employees.

elections.

Full details of the reported A retired army Major General John K. Singlaub, arms shipments to Iran in re-turn for Tehran helping to secure the release of American whose intelligence experience dates back to the Second World hostages held in Lebanon have yet to emerge. Yet it is pos-sible to draw some parallels between the Iranian operation War, was recruited to organise fund-raising and provide mili-

According to Mr Robert Parry, an Associated Press agency reporter who has followed the story closely, the Contra ald programme was a classic covert operation "with deniability huilt in for the White House at every level."

The crash of an arms-laden transport aircraft in courtiers.

transport aircraft in southern Nicaragua last month exposed the operation. The sole survor, Mr Eugene Hasenfus, was captured by the Sandinistas and put on trial, having made and then retracted claims that he was working for the CIA.

National Security adviser, and Lt Col Oliver North, a serving Marine and close friend of Mr McFarlane who is curently a senior member of the National Security staff in the White House. Mr McFarlane has claimed that the spirit and letter of the Congressional ban on Contra aid was observed by fine Administration but the leak of Lt-Col North's involvement in It was Mr McFarlane who in early 1984 secured President Reagan's approval for a "private aid network" to help the Contra rebels, a proposal the summer of 1985 suggested that some US officials had their developed by Lt Col North in

order to evade a ban on US aid imposed by Congress. The ban followed the disdoubts.
These doubts are already closure that the US Central surfacing in the other covert

The key difference between

the Nicaraguan effort and the Iran operation is that the latter was essentially a White House was essentially a white house affair, co-ordinated through the National Security Council. High-ranking State Department officials do not appear to have been informed and the US Secretary of State, Mr George Shultz, and the US Defence Sagratory Mr. Carpar Wein Secretary, Mr Caspar Wein-berger had severe doubts.

The problem centred what was publicly declared US Government policy; no hostage deals with terrorists or govern-

The US has pledged neutrality in the Iran-Iraq war and has imposed an arms embargo against Iran since 1979, following the takeover of the US Embassy and its diplomats as because in Tahara by Mos.

as hostages in Tehran hy Mos-lem extremists.

et least seven American host-ages in Lebanon. In the longer term, it was argued that the US should promote ties with Iranian military and political leaders jockeying for power under the ageing leader, Aya-



covert operations, co-ordinated by the White House. purely Reagan phenomenon. Other US leaders such as President Richard Nixon used

tollah Khomeini. Conventional diplomacy, as a way of side-stepping the through the State Department, rest of the US bureaucracy was cast aside and replaced by

Canada reforms medicines law BY BERNARD SIMON IN TORONTO

CANADA IS to introduce The licensing system, legislation modifying a controdesigned to hold down domestic versial system of compulsory medicine prices, has been an licensing of brand-name medicines after a compromise commercial relations with the between multinational pharma- US and EEC since it was ceutical companies and generic introduced in 1969. drug makers.

In terms of draft amendments to the Patent Act, hrand-name manufacturers will have seven years of patent protection before having their medicines copied by the generic companies. The time will be extended to

10 years if the generic manufacturers import the fine chemical ingredients for pro-

system, protection, the brand-name domestic producers have promised to been an increase research and developimportant irritant in Canada's Multinational drug companies

have complained that It provides inadequate patent protection, discourages re-search and has enabled generic manufacturers to compete unfairly in export markets. Patent protection on pharma-ceuticals has been as short as three or four years, compared with the 17 years provided on

ment spending from 4.9 per cent of sales to 10 per cent over the next 10 years. Three companies, Upjohn, Ortho and Parke-Davis, last Friday announced investment projects totalling C\$100m (£50.5m). Consumer groups and the

arguing that they will leed to higher medicine prices. To meet these objections, the the 17 years provided on products.

return for greater these onjections, the Government proposes to set up a prices review board to ensure they do not rise faster than the inflation rate.

Kennedy in Senate challenge to Reagan on 'neglect of needy'

BY STEWART FLEMING, US EDITOR IN WASHINGTON

the 54-year-old liberal Democrat from Massachusetts, has announced that he will take over the chairmanship of the Senate labour and human resources committee, and has promised to challenge the Reagan Administration's "shameful recent trend of neglect for the

needy." Senator Kennedy's decisi clears the way for prospective Democratic presidential candidate Senator Joseph Biden to become chairman of the judi-ciary committee. Senator Biden, who is also seen as leaning to the liberal wing of the party, will make it more difficult for President Reagan to appoint ideological conservatives to the Federal Courts since such appointments must be processed through the indiciary committee and approved by the full

As a result of last week's victory in the mid-term elec-tions, the Democratic Party now Senate, giving it the right to appoint Democrats as chairmen of committees which oversee legislative proposals, hold hear-ings into administration policy and are the first stage in the process of approving many appointments by the executive branch of government, including the appointment of Federal Reserve hoard governors.

Political analysts observe that of the 17 key senate committees, nine seem likely to be chaired. by senators from the right wing

SENATOR Edward Kennedy, of the party. the 54-year-old liberal Democrat Senators from the south of the US such as Senator Sam Nunn of Georgia and Senator Lloyd Bentsen of Texas in particular are expected to have a far-reaching impact on the policy agenda which Senate Democrats will be drawing up. The conservative influence of southern Democrats could, it is

argued, move the party more towards the centre on many Senator Kennedy and Senator Biden, however, will be able to speak out strongly on behalf of organised labour and minorities, traditional core groups in the Democratic Party coalition.

Democrats are also emphasis ing the importance of education in improving the competitive-ness of American industry. Senator Kennedy, announcing his decision in Boston over the weekend, stressed the importance he attaches to education.
"I welcome the opportunity to participate in creating a new

agenda for social progress in America," he said. Mr Kennedy, because of his semiority—he was first elected to Congress in 1962—could have chosen to chair either the labour or judiciary committees. He said that he had chosen labour because both his brothers, former President brothers, former President John F. Kennedy and Robert Kennedy served on the labour committee which deals with issues "my family has been involved in since they came to

World Economic Indicators

	POREIGN I	(\$m)	RESERVES		
	Sept.'86	Aug '86	July'86		3
US	16,785	16,810	16,147	-	_
UK -	15,244		. 11,676 .		
West German	ty 43,195	40,960	39,607 .	• •	3
Italy	17,546	18,734	19,084		1
Tanan	26 956	36.646	33.778		2

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arty.		<u>:</u>	Ang
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the	Netherlan Belgium	ds	10,1
ratic	Japan		36.9
d of	West Geri	THE REAL PROPERTY.	43,1 17,5
·	UK		15.2

	1	Debr. oo	_	wife on	amy on	Schr on
•	US	16,785		16,810	16,147	8,671
1	UK -	15,244		11,667	. 11,676	. 8,187
1	West German			40.960	39,607	37,556
	Italy.	17,546	٠.	18,734	19.084	18,410
1	Japan	36.956		36,646	33,778	23,106
	Netherlands:	10.135		10.590	16.238	8,933
Ī	Belgium	4.434		4,500	4,857	3,800
		Ang '86		July '86	June '86	Aug '85
	France	31,003		29,628	32,984	20,536
į						Source: IMP

BRITISH-BORNEO PETROLEUM SYNDICATE, P.L.C.

INTERIM REPORT FOR THE HALF YEAR TO 30th SEPTEMBER 1986

At a meeting of the Board of British-Borneo Petroleum Syndicate, P.L.C. held today it was resolved to pay an interim dividend of 7.0p (1985/86—6.0p) per stock unit. In the hands of a United Kingdom Stockholder this interim dividend is equivalent, with the applicable tax credit, to 9.8592p (1985/86—8.5714p).

The dividend will be paid on 19th December 1986 to stockholders registered at the close of business on 20th November 1986.

The unandited results, based on historic costs, for the half year to 30th September 1986 as as follows:

	Profit on dealing activities	£55.241	£70,121	£657,962
	Short Term Interest receivable and other income	76.481	52,971	117,897
<i>i</i> .	Short Term interest receivable and other meeting	850,708	864,068	1,427,408
•		1.321	24.072	52.076
	Income from Oil and Gas Producing Properties Exchange Profit/(loss) on Currency Conversions	4,274	(37,685)	
		988,025		2,209,447
	Amortisation of U.S. Oil and Gas Producing Properties	(16,616)	(16,600)	
	Amortisation of O.S. Off and O.S. 110	(64,850)	(57,906)	
	Administration Expenses	(3,993)	(9,922)	(30,838)
	Consultants Fees	(10.425)	(69,219)	(107,659)
	Interest Payable Exploration Expenditure in Canada	(1,420)	(1,325)	(2,498)
		890,721	818,575	1.907.173
	Profit on ordinary activities before taxation Taxation	(264,432)		
		626,289	556,509	1,238,924
	Distributable Profits Dividends	(315,000)	(270,000)	
	J.Y.M.	£811,289	£286,509	£338,924
_	•		10.4	
	Farnings per Stock Unit Profit on dealing activities in the half year to 30th Sept	13.9p ember 1986	12.4p includes	27.5p unrealised
	losses of £49,500 (1 year to 30.9.85—£84,071).			and alea
٠. '	The entities of the Givin Continue to	t horoms a	ng deams	, and and
	to all and mas promittion in the Commercial	Course of succ	II and the	directors
	The company's investments in Shell and B.P. have per expect to be able to show improved results for the ful expect to be able to show improved its Subsidiaries at 31st h	l year, con	pared wit	h 1985/86.
	expect to be able to show improved results for the full Net Assets of the Company and its Subsidiaries at 31st h	farch and a	with Septer	nder 1986,
	Net Assets of the Company and			01-4 M
	were as follows:	Oth Septem	oe r	31st March

The company's investments in Shell and it expect to be able to show improved result Net Assets of the Company and its Subsidia were as follows:	ries at 31st Ma	rmed well and year, compared rch and 30th Se th September 1986	ptember 1966, 31st March 1986
Fixed Assets Tangihle Assets Oil and Gas Interests Quoted Investments held by Subsidiary	(T	Inaudited) £151,365 599,475	(Audited) £167,858 602,603
Quoten investments and an		750,780	770,461
Current Assets Quoted Investments Unquoted Investments Debtors Cash at bank	1,594,836 74,250 492,882 1,366,411	1,872, 123, 540, 1,408,	750 591
Creditors (falling due within one year)	3,462,379 644,929	3,945, 1,458,	252
Net Current Assets		2,817,450 3.568,230	2,487,433 £3,257,894

1986 showing an unrealised appreciation of £18,257,447 and £16,033,857 respectively.

The above financial information does not amount to full accounts within the meaning of the Companies Act 1985. The results for the year to 31st March 1986 have been extracted from the full accounts which received an unqualified auditors' report and have been filed with the Registrar of Companies.

have been filed with the Registrar of Companies.

Copies of this Announcement are being sent to all stockholders and copies may be obtained from the Secretaries at the Registered Office.

By Order of the Board RUSSELL LIMEBEER Secretaries

Registered Office: Pembroke House, 40 City Roed, London ECIY 2AD

6th November 1986

No Photographs, Yet Still The Most Detailed Daily Picture of World Financial Markets

The Wall Street Journal/Europe contains no photographs.

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In fact, in covering finance or any other business subject. The Journal goes far beyond the limits of conventional photography. Every business day, it gives a 360° picture - a global view captured by the largest reporting staff of any international business publication.

And so we couldn't seriously recommend it to aspiring photographers.

But to aspiring professionals, certainly.

Dollar's Fall Aids Multinationals

That Work the Currency Markets

For dealing with volatile for light-exchange markets.

For many U.S. multimational corporations, the past year and half—and especially the past 11 months—have been good times. The fall dollar has made "this year the greatest free hunch I've ever seen in current management," says the head of fireign-exchange operations for a mag U.S. multimational company.

A weakening dollar typically helps most hig U.S. multiplicates the past years and the past years are the past of the past years and the past years are converted into years dollars. A weaker dollar also years dollars.

converted into more dollars. A weaker dollar dollar-priced products more competitive on world mark.

After plunging 35% against the Japanese yer the Dentsche mark since last September, forecasters where the currency is headed. While many seers believe the dollar hunch further to drop, others say the current wranging over econ policies between the U.S. and West Germany and Japan clouds the pictu

LL STREET JOURNAL.

THERE'S NOTHING LIKE IT FOR INTERNATIONAL BUSINESS.

Unctad urges united

excess shipbuilding

substituised excess simportioning capacity is probably the major obstacle to restoring the balance between supply and demand and solving the crisis in world shipping, the major combination of protectionist and other support measures of both shipping and shipbuilding taken by many countries.

secretariat of the United Nations
Conference on Development and
Trade (Unctad) states in the cheer-

Unctad takes issue with the

The high level of subsidisation has exerted a strong downward

pressure on prices for new ships and stimulated speculative invest ment. The representative new-building price for a 250,800 dwt tanker tumbled from \$75m in 1980

Accelerated scrapping of obsolete

ships is one course advocated. Be-tween 1978 and 1985 a total of 220

ships amounting to 0.5m. gri (gross registered tons) were scrapped. Unctad believes the contribution of

accelerated scrapping schemes abould not be overestimated but

suggests governments could in-crease their financial aid to devel-

oping countries for the establish-

A recent shipping development analysed critically in the Uncted re-

port is the build-up of round-the-world container shipping services

since 1984. These are provided by vessels which circumnavigate the

Sea Line, United States Line and

while three other lines offer inte-

grated end-to-end linking voyages

to \$47m in 1985.

ment of scrapyards.

ding in 1983 amounted to

action to curb

SUBSIDISED excess shipbuilding

less report it will submit today to

Given the oversupply of tonnage of about 25 per cent in the present merchant fleet, it cannot be

tankers alone, the surplus amounted to 102.7m dwt or 37.1 per cent of the world tanker fleet. In the dry

bulk sector the surplus is put at 51.5m dwt or 23.1 per cent of the to-

The situation has improved since

1983 when the surplus tonnage in

be 28.5 per cent. But Unctad is less

ptimistic about the chances of the

Pricing committee of Opec to meet

THE PRICING committee of the Organisation of Oil Exporting Countries is to meet in Ecuador before the end of this week, it was announced in Kuwait yes-

was announced in Kuwait yesterday.

The main task for the committee, comprised of Kuwait, Ecuador and Libya, will be to consider a strategy for returning to a fixed market price. Mr. Hisham Nazer, the new Saudi Oil Minister, said after the sacking of Sheikh Ahmed Zaki Yamani at the end of last month that the target should be \$18 a harrel.

Opec set up the three-mem-ber pricing committee during its 17-day meeting in October. Under its terms of reference any other Opec member can sit in

on its meeting.
There was speculation last week during the summit meeting of the Gulf Co-operation Council that the pricing com-

mittee could turn into a full ministerial conference.
However, Saudi Arabia is anxious for the fullest consultation between members before going into e full conference, which is currently scheduled to convene in Geneva on Decem-

India in surprise swoop on Tamils

by K. K. Sharma in New Delhi and Meryyn de Silva in Colombo

Among the arms seized were launchers, machine rocket guns, antomatic rifles and an unspecified quantity of ammunition. Among those arrested were leaders of the groups who for more than three years have organised operations in north-ern Sri Lanka from Tamil

in advance of the second South Asian summit, opening next Asian summit, opening next week in Bangalore, where cross-border terrorism is expected to be high on the agenda and where negotiations between Mr Rajiv Gandhi, the Indian leader, and Mr J. P. Jayewardene, the Sri Lankan president are to take place.

Reports from Madras, where for independence.

ern Sri Lanka from Tamil

Police warned the guerrilla

Police warned the guerrilla

The leeders were detained leaders they should refrain for up to eight hours before from terrorist activities on Indian Government and have militant groups by the Indian Government.

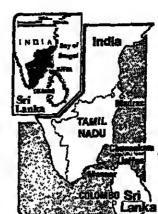
POLICE IN the southern being released after police Indian soil. Observers believe been given refugee status by it.

Indian state of Tamii Nadu took an inventory of their made a surprise swoop et the weapons and belongings and bave been referring to the kill-training camps in Tamii Nadu ing of a Tamii Nedu social worker in Madras last week by members of a Sri Lankan guerrefuge there. About 1,000 were arrested and thousands dis-in advance of the second South

the Tamil groups are based, say
the state government informed
central government of plans
for the crackdown but said the
operation was ordered by New
Delhi. This is not widely
believed.

To independence:

Mr Jayewardene's latest proposals for e settlement to the
ethnic strife were rejected last
week by the Tamil militants on
the ground that they did not go
far enough to satisfy their
demands for eutonomy for the Sri Lanka Tamil militants and northern and eastern provinces



Government, which is acting tee.

Restructuring of shippards in the 1970s following the oil and tanker crisis reduced world shipbuilding capacity by about 20 per cent, but there still exists an excess capacity of about 40 per cent in 1986, the re-

Israel admits holding 'missing' nuclear technician

THE Israeli Government yes—
An official statement, issued terday publicly admitted that after yesterday's regular it was bolding Mr Mordechai Cabinet meeting, said Mr Vanunu's voice was yester—
it was bolding Mr Mordechai Cabinet meeting, said Mr for the first time since his dispearance. Speaking on the works ago after leaking the order issued after a hearing at Amnon Zichroni, said his client country's nuclear weapons which he had had lead a protested against the appearance of Mr Vanunu's voice was yester—
the former technician from the long been widely believed both is under arrest in Israel carries within Israel and abroad that far-reaching implications which the world's sixth nuclear circumstances of Mr Vanunu's voice was yester—
the former technician from the long been widely believed both is under arrest in Israel carries of within Israel and abroad that the Jewisb state had become country's nuclear weapons, even though it has constructed to the first time since his disserved in Israel carries and abroad that the power within Israel carries of withi THE Israeli Government yes-terday publicly admitted that after it was bolding Mr Mordechai Cabin Vanunu, the nuclear technician Vanus

secrets.

At the same time, the Government denied thet he had been kidnapped on British soil. It said there was no basis to a report that Mr Shimon Peres, the former Labour Prime which is currently scheduled to convene in Geneva on December 11.

© Iraq launched two attacks on Iranian vessels shuttling oil from its main terminal at Kharg Island yesterday.

If said there was shutched report that Mr Shimon Peres, the former Labour Prime Minister, had contacted Mrs Margaret Thatcher, "to inform ber about something that never took place."

yesterday denied that the dissi-dent Israeli was being beld in a police facility. Mr Vanunn is believed to have been originally picked up abroad by Israel's intelligence services.

you prefer in Taipei?

comment on the investigation because of security restric-

Which hotel would

What's the best way

Where can you save

there from the airport?

How do you book a room in Manila?

35% on a hotel room in

It tacify acknowledges the veracity of his claims to a British newspaper that over the past 20 years Israci has secretly developed a nuclear weapons Capacity.

There bas never been a

Israelis bave traditionally comforted themselves with the belief that—if the worst came to the worst—the "bomb in the basement" indeed existed. Mr Amos Rubin, the Prime Minister's economic adviser, for example, is well known as advocating that Israel should have its defence policies on a base its defence policies on a

realistically expected that demand will develop in the foreseeable fu-ture to meet the excess shipbuild-Separate action by individual governments or interest groups will not restore the balance, the Unctad economists argue. A series of mea-sures taken simultaneously in several areas by governments, in-tergovernmental organisations,

tergovernmental organisations, shipowner and shipbuilding associations and ship financing sources Brief though it was, the public debate in Israel over the public acknowledgement of its belated official admission that possession or use of nuclear nuclear might Total surplus tomage was esti-mated last year at 161.8m dwt (deadweight tonnes) or 24.3 per cent of the world merchant fleet. In

have been in their latest forecasts. has been accentuated, Unctad says. SHIPPING REPORT

Tanker rates steady as dealers await oil moves

the merchant fleet was estimated to Evergreen - offer these services

tonnage needed coinciding with the at common transhipment points.

actual size of the fleet over the next Market concentration has been decade than the Japan Maritime increased and the lack of equilibri-Research Institute and the Associa- um between supply and demand on tion of West European Shipbuilders many containerised liner routes

BY KEYIN BROWN

BATES REMAINED steady for tion of Petroleum Exporting tankers loading in the Gulf last Countries.

A few cargoes were also continued to await develop- reported to be available from continued to await develop-ments in oil prices. Brokers said there was some possibility. said there was some possibility, be varying from Worldscale 20 of slight improvements in rates to 25 for UK discharge. next week, however.

Interest in very large crade carriers was said to be picking np, though with little immediate impact on rates in the low Worldscale 20s, and there was more demand for tankers of around 130,000 tons deadweight. for which rates remained around 37.5 to 40, depending on the discharge area.

Brokers said there was little business available in West Africa, where it was assumed

Mexico, but rates were said to

Better levels were available for owners trading around the braith's, the London brokers said a shortage of tonnage had enabled an owner to achieve Worldscale 100 for a 67,000 tons cargo of crude oil from Sullom Voe.

The trend remained weak in the dry cargo markets, but rates for Panamax ships (the largest able to transit the Panama Canal) remained steady at around \$7.\$7.25 for trips from the Nigerian Government was the US Gulf to Europe, and diligently observing the production quota set by the Organisa-cargoes.

Mozambique rebels claim rail traffic to Beira halted

Chissano, claimed at the week-end to have sabotaged the rail-way line from Zimbabwe to the port of Belra in Mozambique at

four points.
The so-called Beira Corridor, providing Zimbabwe's shortest rail and road route to the sea as well as carrying a vital oil pipeline, is guarded by several thousand Zimbabwe troops.

An MNR statement issued in Lisbon said that "rail traffic between Beira and Zimbabwe is now completely paralysed." The rebels also claimed to have shelled Zimbabwe's military hasdaysters in Mozambloue at

beadquarters in Mozambique at beadquarters in Mozambique at Chimoto, killing 25 soldiers.
Last month Mr Rubert Mugabe, Zimbabwe'e Prime Minister, reaffirmed bis country's military support for Mozambique in the war against the MNR.

THE Mozambique Netional declaring war on Zimbabwe. Resistance (MNR), the right-Black youths and municipal wing rebel movement ettempting to overthrow the government of President Joaquim in the troubled black township

of Soweto, Reuter reports from Johannesburg.

The Bureau for Information said that blacks fired 10 shots on Saturday at municipal police, who fired back.

The sprawling township south of Johannesburg has been tense for several days with at least three people shot dead • General motors has said that it will have clean the several days with a least three people shot dead • General motors has said that It will keep closed its two strikebound plants near Port Elizabeth, South Africa, because the union has not formally agreed that workers would end

a 10-day wildcat strike, AP

reports.

The strike arose from GM's decision to sell its South African apparation to local management. About 2,000 of the company's 3,000 workers struck on October Mozambique in the war against the MNR.

Mr Afonso Dhlakama, the responded by sale.

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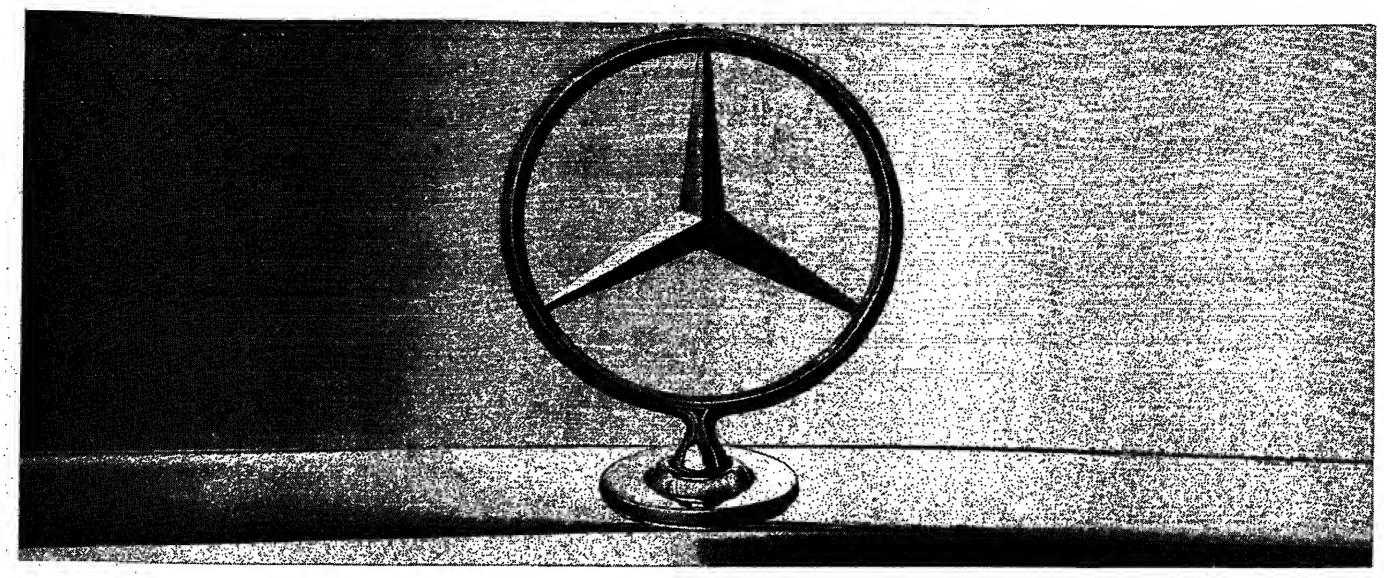
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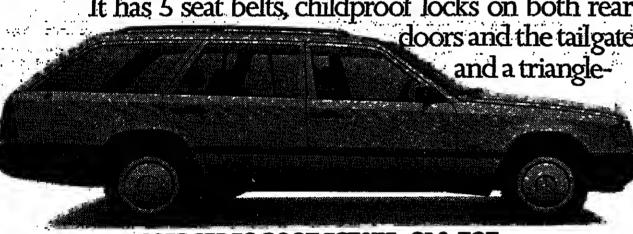
The Mercedes 200T is a fine example of a large, prestige estate car.

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Nakasone takes Seoul plea for talks to Peking

MR YASUHIRO NAKASONE, did not respond. However, it is the Japanese Prime Minister, anderstood Mr Hu expressed has acted as a messenger for gratitude for the warm welcoms Sonth Korea during a two-day given to Chinese athletes at the the Japanese Prime Minister, has acted as a messenger for Sonth Korea during a two-day visit to China by passing to Chinese leaders a request for formal talks aimed at easing tension on the Korean peninsula.

Diplomatic sources said Mr Nakasone also passed the personal regards of Chun Doo Hwan, the South Korean leader, to the Chinese and relayed his hopes for improved Sino-South Korean relations.

Mr Nakasone told a press conference that Japan was "willing and dole to act as a hridge between Peking and Seoul" and showed his country's willingness to take a larger role in regional affairs.

affairs.
South Korea's proposal is for talks involving North Korea, South Korea, China and the US. Until now, China has supported Until now, China has supported the North Korean push for negotiations involving the US and South Korea, which North Korea regards as a US puppet. China has rejected previous US suggestions that Peking be

involved in discussions and aimed at putting together a non-aggression pact for the Korean peninsula. North Korea is keen to nego-tiate with the US to show that Washington is responsible for Seoul and to undermine South

Korea's status. Mr Nakasone told the Chinese Communist Party general secre-tary, Hu Yaobang, that he sup-ports four-way talks but Mr Hn

S Korea to compete in European **PC** market

cess" in his country.

"The United States should extend solidarity and moral support for the realisation of our common ideal—establishment ment of a genuine liberal democracy in Korea," Mr Kim

Japanese trade mission to discuss EEC tensions

BY CARLA RAPOPORT IN TOKYO

JAPAN'S senior business leaders arrive in Europe tomorrow for two weeks of talks with heads of governments in an effort to reduce rising trada tension between Japan and Europe

Japan's federation of economic organisations, the powerful Keldanren, will be meeting Mr Jacques Delors, EC Thatcher, UK Prime Minister, Mr Jacques Chirac, the French Prime Minister, Mr Kurt Wald-

recent Asian games in Seoul. South Korea's plan leaves out the Soviet Union, which has stepped up ties with Pyongyang this year and will be a major player in any movement on the peninsula. China is aware that better relations with Scoul will better relations with Seoul will irk North Korea and push it

Mr Nakasone said Japan and China had "established a friendly and trusting" relation-ship, though he admitted prob-lems would arise and must be solved with a view to the long-

Premier Zhao Ziyang for China, asked that Japan in-crease investment and said that the strength of the yen should the strength of the yen should have boosted Japan's investment funds. Mr Nakasone told a press conference Japan should open up its markets while China must improve its exports AP adds from Rome: Mr Kim Young-Sam. the South Korean AP adds from Rome: Ar Run Young-Sam, the South Korean opposition leader, yesterday called on the US to withdraw its politicial support of Presi-dent Chun's Government and back the "democratisation pro-

 South Korea may open its domestic market for large passenger cars to foreign manufacturers as early as July 1987 in order to head off protectionist pressure in the US, a Ministry of Trade and Industry officials gold in Sant Approximately

helm, the Austrian president, and Mr Wilfried Martens, the Belgian prime minister. A second mission to West Germany and Italy is being organised for early next year. The mission, the second in two months, is in direct response to recent initializes taken by Brussels to pressure Japan into buying more European goods, reducing exports in key areas such as cars, and refrainareas such as cars, and refrain-ing from potentially damaging hilateral trade agreements with ing on the condition of domes-tic automakers.

HYUNDAI, the industrial and electronics conglomerate, is set to become the first South Korean company to launch its

personal company w saunch its personal computer in Europe. The machine, due to go on sale early next year, will competa with low-cost personal computers such as the PC 1512 model recently launched by Ametrad of the IIK in a Amstrad of the UK in a rapidly growing field of compatible machines. Hyundai initially developed

the computer for the US, where it is heing sold by Blue Chip of Phoenix, Arizona, a marketing orgisation with exclusive rights to the product in America. Blue Chip intends to sell about 20,000 of the machines this year. Mr Sun Lee, a Hyundai exec tive, says his company has signed contracts in Switzerland and the Netherlands to distribute its personal computer in Europe, but will not have

sufficient capacity before next year to begin deliveries outside the Us. Output is now heing geared up to full capacity of about 20,000 units a month.
Hyundal's move into the personal computer business follows the success of Daewoo. another leading South Korean anomer leading South Korean conglomerate, whose marketing organisation claims to have sold 200,000 of its Model D computer in the US, capturing roughly 7 per cent of the American market.

American market.

The Model D and the Blue Chip machines mark the evolution of South Korean personal computer manufacturing from the contract level, at which externally-designed models are made for large foreign groups, to a stage where they are designing and developing their own.

officials said in Seoul, AP-DJ

currently, the Government plans to allow imports of small passenger car (with engine dispassenger car (with engine displacement of less than 2,000cc) beginning July 1 1987, and the import of large cars (with an engine displacement greater than 2,000cc) beginning in July 1 1986. The official said the plan may be changed depending on the condition of domes.

Ian Rodger and Samuel Senoren preview the Philippines' president's visit Aquino takes her begging bowl to Tokyo

THE JAPANESE, who have managed to keep a low profile in international affairs for a long time, are suddenly finding it difficult to avoid awkward diplomatic situations. The fourday state visit by Philippine President Corazon Aquino, due to start today, has already pro-

duced several.

First, Mrs. Aquino made it clear that sha wanted to address tha Dlet (parliament), a privilege often given visiting statesmen. However, leaders of tha ruling Liberal Democratic.

Basta received from the pros-Party recoiled from the pros-pect, knowing that it would give Opposition politicians an opportunity to raise questions about a scandal last spring involving Government officials and misappropriation of aid funds for the Philippines.

funds for the Philippines.
So the Japanese Foreign
Ministry has had the embarrassing job of telling Mrs Aquino
that the Dlet could not find a
suitable time for her to make Second, there is the question

or aid. The Japanese are getting accustomed to state visitors from developing countries pulling ont large begging bowls, but officials are aghast at Manila's requests. of aid. The Japanese are

at manua's requests.

Mrs Aquino's advisers have identified the following areas totalking Y260bn (\$1.6bn) where Japan could help:

A loan of Y180bn, comprising the 14th yen loan package



Corazon Aquino: low-key trip

for 1987 through the Overseas (OECF).

Credits of up to Y80bn from the Eximbank of Japan to augment an "economic recovery loan" of \$300m which has been committed by the World Bank.

A further loan of about Y50bn also from OECF to finance construction of a new 300 MW coal-fired power plant to replace half the rated output of the \$2hn nuclear power plant which is to be dismantled.

sure, wih a total of \$2.4bm out of total commercial debts of The request for new loans is unprecedented for any single year, and compares with

THE PHILIPPINES' armed forces went on full alert yes-terday on the eve of President Corazon Aquino's departure for Japan to forestall any attempt ts destabilise the Government while she was

General Fidel Ramos, armed forces chief, ordered troops to secure military camps in and around Manila, particularly at the army headquarters in suburban Quezon City where nationwide communications facilities are located.

Rumours have been sweep-ing Manila about an alleged plot by unnamed military

Japanese aid to the Philippines in 1986 of just under Y50bn.

On top of the new official

maturity periods ranging from

late 1983 to 1992.

units supposedly loyal to Mr Juan Ponce Enrile, the Defence Minister, to start manoeuvres to pressure Mrs Aquino inte firing her left. leaning Cabinet members.
But Mr Enrile assured Mrs Aquino last Saturday that he would do his best to stop any attempt to destabilise the Government.

There was a suspicion that There was a suspicion that the coup fanned by leftist elements who wanted to pressure Mrs Aquino into sacking Mr Enrile who has been highly critical of her "soft" approach in dealing with insurgency.

> ber of major Philippine expert products and is expected to offer to Japanese investors some \$2bn in assets of state enterprises raised. which are being privatised. It was not clear in Tokyo

credits, Mrs Aquino is also to appeal to Jspanese hanks to support her Government's efforts to reschedule close to \$10bn in commercial loans with maturity parieds expense from whether any new aid could be agreed during the visit, despite the phalanx of five economic and financial Ministers who will be accompanying Mrs Aquino. Among the Philippines' 483 creditors, Japanese banks rank next to the US in terms of expo-

They are likely to point out that Mr Ferdinand Marcos, Mrs Aquino's predecessor who fell in a coup in February, relied in a coup in February, rened the heavily on Japanese support for the persuade Tokyo further to lift import tariff harriers for a num-

general attitude to Mr Aquino's general attitude to Mr Aquino's government, which remains under threat from a Communist insurgency is also a delicate one. Unlike the US Government, which has chosen to embrace her warmly, Japan has taken a detached view. "She is the president of Philippines. We welcome her as the president." a Foreign Ministry official said. Washington might like Tokyo

Washington might like Tokyo to do what ever it can to help the Aquino Government fend off the Communists, but the Japanese seem more inclined to

hedge their bets.
Thus, while there will be plenty of ceremony visits to the Emperor, attendance at a bonsai and flower show and an honorary doctorate from Waseda University are on the agenda, few actual lastes, apart from aid, seem likely to be

For example, Japanese offi-cials said they did not intend to hring up the question of surreptitions arms imports from the Philippines into Japan, even though the explosion of a grenade carried by a Japanese gangster on a flight from Manila to Osaka last week nearly caused a Thai Altways aircraft to crash.
The Philippine Government

import tariff harriers for a num-Brussels prepares salutary message for Canberra Australia and the EEC also represented only a quarter of

MR WILLY DE CLERCQ, the European Commissioner for External Relations and Trade, will this week lead the Community's annual ministerial consultations with the Aus-Government seven tralian Government seven months later than originally

The consultations, due last April, were called off by Mr de Ciercq in something of a huff, officially because of tough criticism of EEC policies from Canberra.

But Brussels was also upset But Brussers was also direct to appoint a representative in Europe based in London and without formal accreditation. Only now, it seems, has tha sourness over these issues dissipated enough to allow a potentially more productive exchange between two pars of the world which are often at longerheads.

Australia tends to see the tective

Chris Sherwell in Sydney looks at the background to EEC trade tensions with Australia

EEC in terms of the Common Agricultural Policy and little more. As this is perceived to hurt Australia's farm exports, the Community has a poor image "down under"—one not helped by the EEC's own lack of interest in Australia in the

The European view of Australia also appears simplistic. Australians ore seen as too ready to complain, too ready to hlame their misfortunes on external events and too comtheir with wealth and over-pro- mineral industrial tariffs. metals. resource industrial

Through their own failings, Australia is thought to have been blind to European economic opportunities staring them in the face.

second-largest market after Japan and its third-largest source of imports after the US and Japan. In 1985-86, Anstralian exports to the EEC rose 15 per cent to more than A\$4.6bn (£2,07bn).

The pattern of this trade, moreover, has been changing. In the 1950s and 1960s the bulk of Australia's European trade
was carried out with Britain.
Britain's share has since
declined following its accession to the Community in 1973,

At the same time, Anstralia's agricultural exports to Europe have fallen, but compensation has come from increased European purchases of Australian minerals, fuels and basic

have important accords regard normal Soviet purchases from ing European purchases of the Community annually, and lamb, mutton and beef and that Moscow had at that stage

Canberra's resolve has ling been its growing testiness over Common Agricultural Policy.

The European response on all this was clear and to the point. The EEC said it had long been ready to see all aspects of agricultural trade included in the next round of trade negotiations. On the Soviet sale it sald this tariffs in the world."

n the face.

European sales of beef in bought little over a quarter of European sales of beef in bought little over a quarter of European sales of beef in bought little over a quarter of execution market after traditional Australian markets. some 19m tonnes.

None of this has prevented misunderstandings emerging, than this, however. Mr de Australia was a key member Clerry is likely to take a saluof tha "non-subsidising" comof tha "non-subsidising" commodity producers group which pushed the recent Gatt meeting in Punte del Este to include ministers in the Labor Government subsidies in the next ment, and to the Australian ment, and industrial commodities and industrial commodities. Hawke, Australia's Prime munity.

In the words of one European, this is going to be: "Stop com-plaining about agriculture when we're all suffering from prob-lems of overproduction and weak demand, and wake up to the fact that Europe has 320m solvent consumers sitting behind the lowest industrial



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The Royal Bank And of Scotland Group pic

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SE ready to reinforce effort over uncleared deals backlog

STOCK EXCHANGE firms in London will have to wait until tomorrow morning to learn whether their efforts over the weekend to reduce the number of outstanding bargains awaiting clearance after Big Bang two weeks ago have been success

With only five working days left before settlement on November 17 when money has to be paid out and share certificates handed over, the exchange's settlements committee is meeting this morning. It will de-cide what further sanctions to pursue if tomorrow's figures show unsatisfactory progress in reducing the backlog, still standing at more than 50,000 unmatched trade re-ports, equivalent to some 20,000

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1985

16

1986

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15

Bank

Citibank

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of Montreal leaped to sixth place in Euromoney's annual international

What's important is that they chose us for the quality of our work:

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our world-class services, our technological resources and, especially,

bargains worth just under £500,000. Mr Michael Baker, head of the exchange's settlement division, said that accounting and trading staff. Only if the two reports match in ev-from every broker/dealer firm had ery significant detail when com-worked on Saturday in an effort to pared in the Charm computer sys-clear the backlog. They had been tem is the bargain allowed to go clear the backlog. They had been assisted by about 80 exchange staff

No attempt had been made to clear bargains through the settle-ment computers Charm and Talisman. The day had been devoted to eliminating manually errors in the outstanding trade reports. Only when these reports were fed into the computer system on Monday night would it become clear if prog-

Every stock market bargain re sults in two trade reports, one from the buyer, the other from the seller.

Some confusion was expected after Big Bang. A substantial proportion of the unmatched trade reports are the results of wrong or incomplete preparation. In some report the firm's settlement codes are wrong; in others, the time stamp has been omitted. Some firms' computer systems have difficulty converting four digit trading codes into three digit settlement codes.

William D. Mulholland,

Estimated Market

Share (%)

1985

6.9

5.9

5.4

5,6

4.1

3.3

4.5

1.4

1.2

3.1

1986

6.5

5.5

3.7

.0.9

0.8

Chairman and Chief Executive Officer

CBI aims to attack Labour policies

THE LABOUR Party's policies on industrial relations and social ownership will come under strong attack from Mr David Nickson, president of the Confederation of British Industry (CBI), when he opens the confederation's 10th annual conference in Bournemouth to-

At yesterday's launch of the CBI's business manifesto, Mr Nickson said he did not disagree with Sir Terence Beckett, CBI Director General, who said last week that La-bour policies would mean a return to "the mayhem of the 1970s."

The CBI was against any exten-sion of public ownership and want-ed a continuation of the "step by step" reforms in industrial relations law, although more time was needed to absorb them.

The employers' leaders showed a marked reluctance to be drawn into any policy statements on other is-sues which could be construed critical of the Government in a pre-elec-

On the timing of Britain's entry into the exchange rate mechanism of the European monetary system for which the CBI has been calling for the past 18 months, Mr Nickson said only that he preferred it should be "somer rather than later."

Delegates will be discussing a resolution later today, however, which calls on the Government to negotiate membership without fur-

A cautious welcome was given to the Chancellor of the Exchequer's autumn statement, pending further study by the CRI, on the grounds that the public spending increase was containable within the Treasury's medium-term financial strate-

Obstacles likely to rule out creation of fibre optic grid

ONE OF the central long-term rec- such as British Telecom, being able commendations of the Peacock Com- to act as common carriers for the mittee into the future of broadcast-ing, the creation in Britain of a national fibre optic grid, is unlikely to

most limitless capacity to distribute television channels has run into severe obstacles and a barrage of cri-

The Peacock Committee wanted the grid because of what it saw as the exclusive right to run a combi-the slow growth of cable television nation of telephone and television networks and the opportunities it individual programmes as they now do books or magazines. The idea is still being studied by

a government committee and has not been formally rejected, but it is now expected to be ruled out for the forseeable future because of the practical difficulties involved. The Peacock Committee recomnendation envisaged national tele-

A key difficulty is that BT, as a private company, would have little commercial incentive to build a grid costing perhaps £10bn if it was only capacity for others to use.

Any attempt, however, to give M nation of telephone and television services over its fibre optic network

provision of a full range of services, including television programmes on

would be vigorously opposed by Ofmove as increasing BT dominance of the communications market. pendent cable operators would have to build their own networks and use them to offer competing local tele phone services as well as cable tele

Government keeps its election options open

BY PETER RIDDELL, POLITICAL CORRESPONDENT

THE SPEECH by the Queen in the House of Commons on Wednesday. which will outline the Government's legislative programme for the coming parliamentary session, will be one of the least contentious in recent years. The government is attempting to be as flexible as possible over the choice of a date for a

The Cabinet's intention is that the whole programme will be completed by next July, allowing scope for a late summer or early autumn election. Normally, as this year, both the Lords and House of Commons sit for a few weeks in the au-turn to complete business.

controversial measures such as water privatisation and English and Welsh property tax reforms have aspects including sentencing, court

procedure and fraud. The two most controversial are munity charge) and local government in England and Wales, (requiring the contracting out of local party political advertisements by

Sea document transfer system threatened by shortage of funds

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

A SYSTEM for the electronic transfer of shipping documents, developed by a subsidiary of Chase Man-has come under strain in recent using cargoes of crude oil from the

SeaDocs Registry has been given a deadline of less than two weeks to raise \$6m (\$4.2m) from shipowners, oil companies, and trading organi-

Chase Manhattan, which has provided \$6m over the last four years to develop the system, is understood to be insisting that further finance is provided by companies in

the maritime sector. The SeaDocs system is intended to overcome problems with the physical transfer of bills of lading, the internationally recognised proof of legal entitlement to a cargo.

sations have recently warned their Mr John Storck, managing direcmembers against delivering carwell as the possibility of delivering shipping industry.

a cargo to the wrong company. The SeaDocs system provides for electronic transfer of bills of lading or relevant information from a computer in London. SeaDocs acts as an agent for the parties involved, guaranteeing security and trans-

hatten Holdings, is facing closure years because of the increasing Ekofisk field loaded at the Teesside because of lack of funds. This is complexity of trading chains, in terminal of Phillips Petroleum. despite a successful trial in the which the ownership of cargoes Around 100 companies are under may change hands several times stood to have tal including oil or A number of shipowners organistood to have taken part in the pilot including oil companies, shipown-

> tor of SeaDocs Registry, said the pigoes without the protection of a bill lot had proved that the concept of lading. Problems have included worked and the company was anxious and loss of insurance cover as Mr Storck said the project would

collapse, however, unless other companies in the maritime sector agreed "to put some money on the table to develop the idea." Chase Manhattan said it was "crucial" that other companies

should invest in SeaDocs.

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Amstrad broadens its goals

UK

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TURNOVER

AMSTRAD, the fast-growing UK consumer electronics group, is already working on a new version of its personal computer range – launched only in September – which is likely to be even cheaper than its present machines,

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PREEDONDENT

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1 N F 1 T 2 1

An improved Amstrad personal computer, which the company ses will not be ready until the end of next year at the earliest, is just one of a group of new products which Amstrad is developing. The eight models in the present Am-strad personal computer range are cheaper than virtually all its

competitors in Europe. However, Mr Alan Sugar, Amstrad chairman, said that the com-pany now realises it can build an even more cost effective machine by taking charge of the design of

In particular, Mr Sugar pointed to the hard disk as something which Amstrad could improve. "We can build the hard disk in our-The implication of saving on key

components is that the next generation of Amstrad personal computers is likely to be even cheaper than the

present range.
"If people think we're competing aggressively now, they'd better watch out next year," Mr Sugar

some of the key components itself.

"We're paying a lot of money out there for a lot of redundant components not doing anything — which is signing an improved version of its from 20,000 a month to 30,000 to low cost word processor, which work really the Amstrad style," Mr

Word processors. Amstrad is destrad will boost its printer output from 20,000 a month to 30,000 to 40,000 a month by the third quarter of next year. Its Hong Kong factory the first eight months after its launch in August last year. The im-proved word processor is likely to be ready in the third or fourth quarter of next year.

PRE-TAX_

TURNOVER

 Printers. Amstrad is to start making four models of printers in order to sell the printers separately as a product to be used on other companies' machines. Until now, Amstrad's printers have mainly been

cause satellite broadcasting is not expected to be launched in the UK until 1990 and Amstrad is unlikely to enter the French or West Ger-man satellite dish market before

The past two months have been difficult for Amstrad, with the company facing three main problems. There have been rumours, strongly denied by the company, that the machines' performences are not up to scretch. The top of the

range hard disk machines have been said to overheat when attachments are put on them. The City of London, has been sceptical about whether Amstrad

has this time bitten off more than it can chew. The personal computer must meet its ambitious sales tar-gets if Amstrad is to maintain its

Amstrad has failed so far to have enough machines ready to put in dealers' and customers' hands as orders have come flooding in.

Mr Sugar has been characteristi-

cally vigorous in his response to White goods. Amstrad is finishing what Mr Sugar says is "a big study" of fridges and washing machines.
 The company will decide next year these criticisms. He insists that sceptics will have to eat their words when sales of the personal compu-ter feed through into Amstrad's financial results. "The City's journal-Sugar says Amstrad could start ists' reactions have always taken the same pattern to our new prod-

"We have a very vigorous growth path up our sleeve," Mr Sugar adds. He expects margins for this year to be about 20 per cent, only slightly down on the exceptional 25 per cent

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Application has been made to the Council of The Stock Exchange in London for Notes in bearer form in the denominations of A\$1,000 and A\$5,000 constituting the above issue to be admitted to the Official List, subject only to the issue of the temporary Global Note.

Listing particulars relating to the Issuer, the Guarantor and the Notes are available from Extel Financial Limited and may be obtained during normal business hours up to and including 12th November, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 24th November, 1986 from:-

Orion Royal Bank Limited, 1 London Wall, London EC2Y 5 X

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN

Chemical Bank, 180 The Strand, London WC2R 1ET

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producing them quickly if it decides to enter these markets. • Satellite dishes. Amstrad is talkused on its own machines. ing to chip makers and Far Eastern Printers have suffered from the satellite dish makers about its Amstrad is also planning other new products at present in different stages of development. same type of high prices as the computer industry. There is no jus-tification for it," Mr Sugar said. Amplans to make satellite receiving dishes for a mass satellite broad-

Television shares attract US interest

BY RAYMOND SNODDY

A NUMBER of US institutions are the stocks of US broadcasting com- companies were worth between looking seriously at the shares of panies. looking seriously at the shares of Britain's independent television ommended six leading ITV compa-

Thames Television, the largest ITV company, believes that a US institution has already been buying its shares, now standing at 333p af-ter a July flotation price of 190p. Mr David Londoner, a senior media analyst for Wertheim, a New York innt bank and brokerage com! pany, published a study arguing that the shares of ITV companies.

interpolations of the production of the producti

He recommended Thames, York-(ITV) companies after a New York shire, and TV-am the commercial stockbroker's report last week recommended six leading ITV compa-three made their London Stock Exare coming but I believe that some change debut this year. Mr Londoner also had positive things to say about three other ITV companies he looked at - Central, London Weekend Television and Television

> "I believe ITV companies are undervalued," says Mr Londoner who
> points to a compound 19 per cent a
> chaser have to be disclosed but the points to a compound 19 per cent a year growth in ITV revenue over the past 10 years compared with 13-

earnings, compared with 16 to 30 times for US broadcasters.

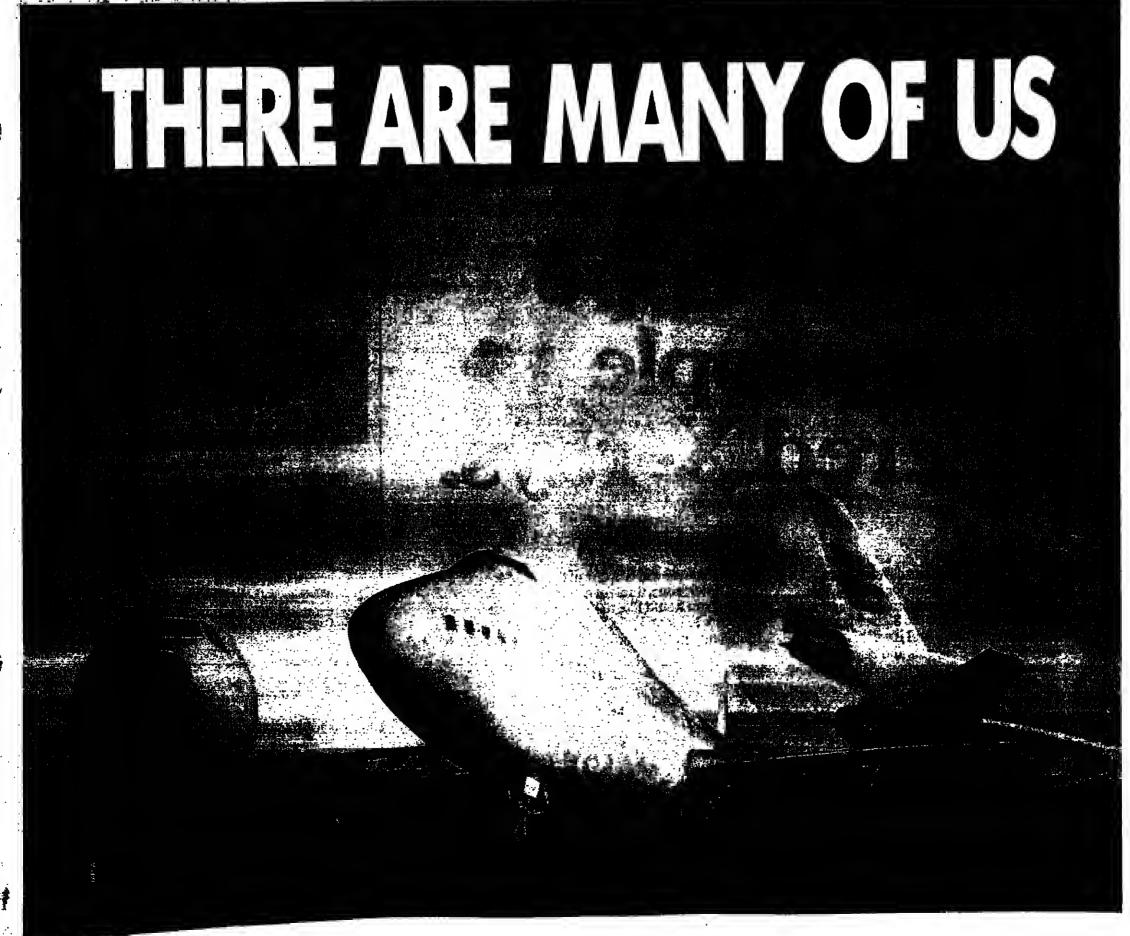
whether to start making these. Mr

people are having a look, Mr Lon-doner pointed out. Mr Richard Dunn, managing director of Thames said he was certain that a US company was in the market buying Thames shares. The number is not yet close to the 5 per cent Independent Broadcasting Authorithat the shares of ITV companies, the past 10 years compared with 13- ty (IBA) informed. The IBA has an ITV companies offered excellent were undervalued compared with 14 per cent in the US. Britain's ITV effective right of veto on changes of growth prospects

ownership of ITV shares above 5

There is a growing view that the Government is unlikely to imple-ment the recommendation of the Peacock Committee which would put ITV franchises up for auction to the highest bidder. The Government decision to extend existing franchises by two years guarantees existing franchises, and potential revenue at least until the end of

September stockbrokers Kleinwort Grieveson argued that



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Warning of power shortages in 1990s

By Maurice Samuelson

ONE OF Britain's leading suppliers of power station equipment has warned that unless new coal-fired power stations are ordered immedi-ately there could be a risk of electricity shortages in the 1990s. Also, UK plant manufacturers could go out of business through lack of or

The warning comes from Northern Engineering Industries, which shed 5,800 jobs last month in the latest of a succession of sweeping rationalisations. It reflects mounting suspense among contractors about the report on the Sizewell nuclear project, expected to appear be-fore Christmas, and its effect on fu-ture power station orders. NEL in a ten-page "informal" dis-

cussion document, says that if no new power stations are ordered soon: the CEGB would be unable to discharge its obligations to avoid power disconnections; UK contractors would have to run down their operations "to a point from which it operations "to a point from which it will be almost impossible to recover"; skills would be dispersed and export markets, currently worth £500m a year, would be lost, and plant might have to be imported which "could easily amount in time to £1bm a year."

Davy secures chemical plant contract in US

gineering contractor, is to build a S200m chemical plant in the US for Standard Oil Davy is also giving Standard Oil an exclusive licence to tolletries like Alberto VO5 and Grethe new technology which will be used in the plant.

THE VALUE of all reported acquisitions for the first three-quarters of 1986 has already topped £10hn ac-

cording to the Department of Trade

and Industry.

The £2.8bn figure for the third

quarter of the year was less than

half the exceptional figure of \$5.3bn for the second quarter. This was lifted by the Guinness takeover of

Distillers and the Hanson Trust

BY DAVID GOODHART

DAVY CORPORATION, the UK en-rofuran (THF) and 1,4-butanediol. Mr Peter Waite, a director of cian 2000, and it's growing at around 6 per cent a year. THF goes

spandex, while butanediol, if it's cheap enough, can lead to the engineering plastic, PBT. That's a new ther Standard plants around the world using the same technology.

world using the same technology.

The US plant will produce a combined 100,000 tonnes a year of three fairly specialised chemicals – gamma-butyrolactone (GBL), tetrahyddrade, which Standard claims it can now produce very

second largest quarterly figure ever recorded. The number of companies

or subsidiaries actually acquired in the third quarter was 207 the high-est quarterly figure since the fourth

The running total for the first

The running total for the first three quarters of 1986 is 443 companies or subsidiaries acquired for a total of £10.485n. Mr John Kay, professor of industrial policy at the London Business School, has estimated that the first school, has estimated that the first school in the first sch

mated that the bid costs for these

Takeover deals top £10bn

cheaply through a new process of

Mr Waite said: "The deal broadens our technological base as a contractor. The advantage is that by combining our abilities with Star dard's, we can take a very normal chemical like butane through a number of interesting routes. It into elastomers like Lycra and could eventually take us from fundamental chemical production to contracting work for final products

based in Cleveland, Ohio, has man-ufacturing sites at Green Lake, Te-xas and at Lima, Ohio.

£500m this year.

territory for Davy."
Standard Oil's chemical division,

campaign in the republic from the first anniversary of the Angio-Irish agreement next, Saturday unless Dublin pulls out of the accord. It is the beautiful to the accord. It is tightening security and intelligence work.

The threat, accompanied a claim of responsibility by the so-called Ulster Freedom Fighters (UFF), an illegal sub-group of the legal Ulster. Defence Association, for the planting without warning of four small explosive devices in Dublin on Friexplosive devices in Dublin on Fri-day night. Two of the devices, left in

Bomb fears

security in

THE IRISH Government says it is

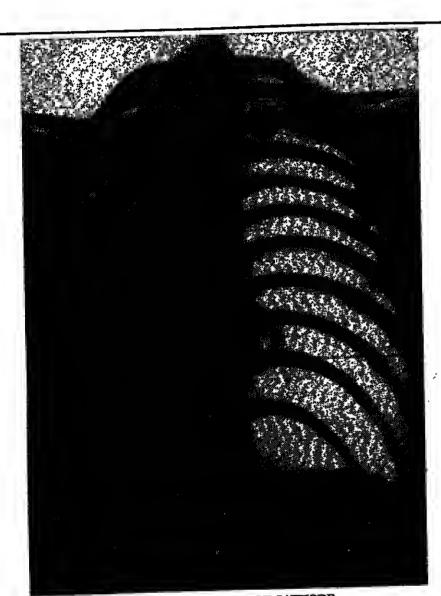
taking seriously a threat by a pro-testant paramilitary group in Nor-thern Ireland to launch a hombing

tighten

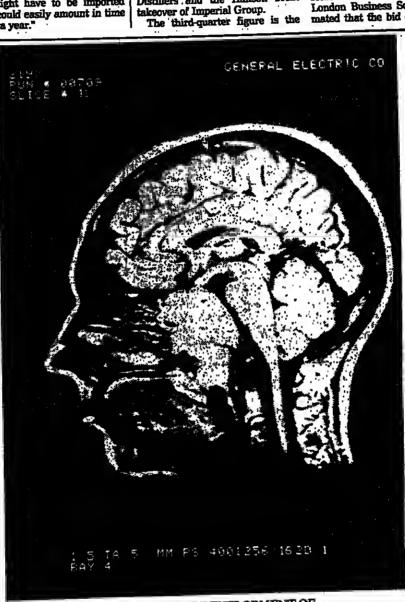
Dublin

dusthins, exploded, The bombs confirmed Dublin's long-standing fear that Loyalist groups opposed to the accord would

and stamp duties, advertising expenses and fees - has come to about south. Mr Alan Dukes, the Justice Minment to the Anglo-Irish agreeme third quarter valued at more than and welcomed as "important and very positive" a weekend speech by £10m which came to 89 per cent of ter. Over half the value was accounted for by the six largest deals led by Peninsular & Oriental Steam the total value of bids for the quar-Navigation's £362m bid for Stock cial system among the m Conversion.



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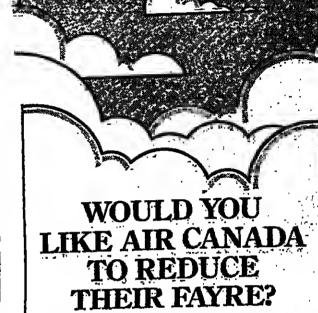
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The Interim Statement for the half year ended 31st October, 1986

The Group has made a small profit for the half year to 31st October, 1986.

Conditions have been adverse for the discount house, with a reverse yield curve persisting for most of the six months. The widely expected fall in U.K. interest rates did not materialise; instead, loose monetary conditions, illustrated by a weak currency, forced the authoritias to act by putting rates up.

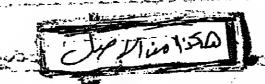
Gilt market making has been transferred to Cater Allen Securities Limited, now a member of The Stock Exchange. It has had an active and profitable penod. We remain enthusiastic about this activity and optimistic for its future.

Other activities, including offshore banking and fund management in Jersey, financial futures broking and the management of underwriting and names agencies at Lloyd's, have made good progress.

The Board has declared an interim dividend of 5.37p per £1 ordinary share (1985 equivalent 5.37p) which will cost £1,002,807. The dividend will be paid on 6th January, 1987, to those shareholders registered at the close of business on 4th December, 1986.

Shareholders will not be sent a copy of the interim statement, but it is being published in the recognised financial press and copies are available from the Company Secretary.

> Cater Allen Holdings PLC 1, King William Street London EC4N 7AU Telephone: 01-623 2070



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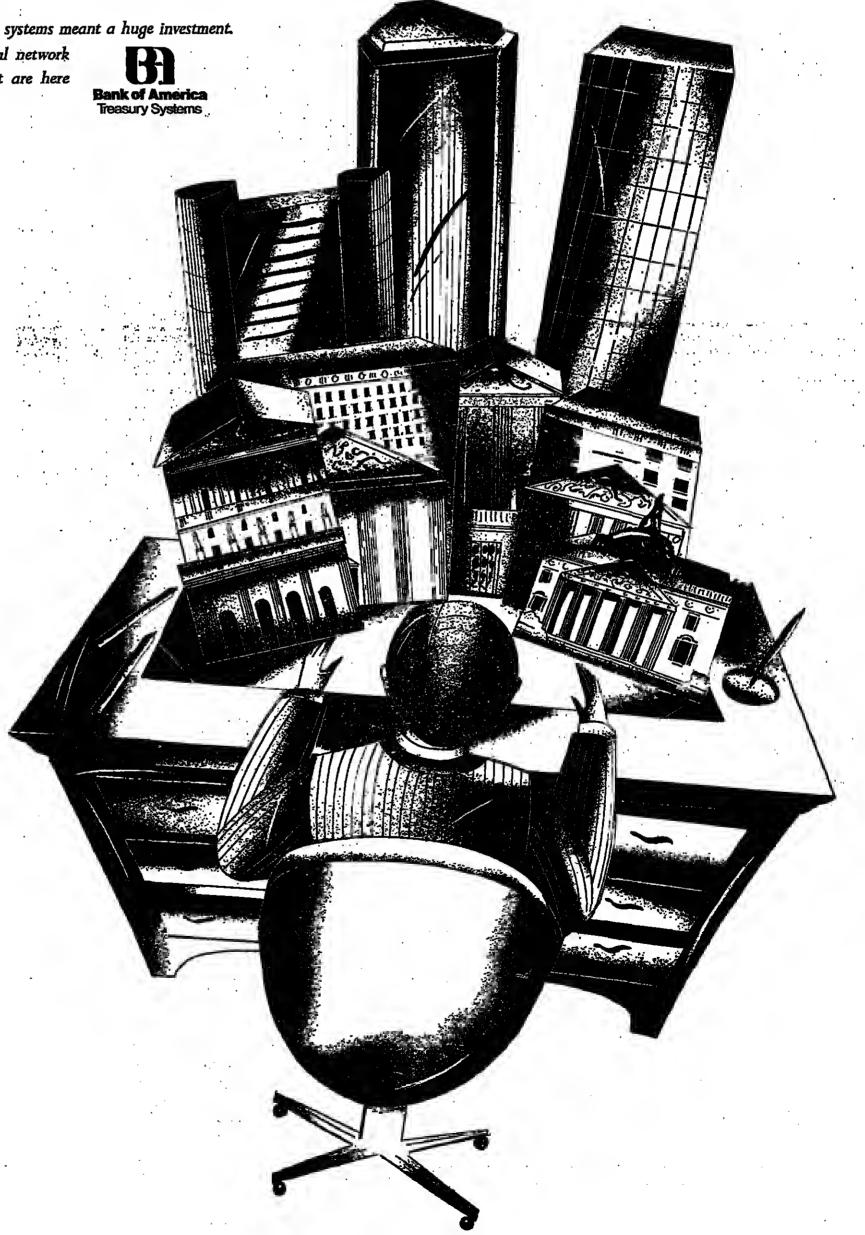
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COSMOPOLITAN PROPERTIES AND SECURITIES LIMITED

INTERIM REPORT TO SHAREHOLDERS 1st APRIL to 30th SEPTEMBER, 1986

Since the termination of the lease with Da Da Department Store, as advised to the shareholders in the Circular of August 1st, 1986, there has been no rental income from the premises which amounted to a major portion of the total rental income. On November 5th, 1986, however, a Purchase and Sales Agreement for the sale of premises (subject to the approval of the shareholders at an extraordinary meeting to be held on November 11th, 1986) at a price of HK\$157 million was entered into with Gather Rich Company Ltd., a wholly-owned subsidiary of Allied Overseas Investment Ltd., a publicly-ounted Company on the Hong Kong Stock Exchange. Ltd., a publicly-quoted Company on the Hong Kong Stock Exchange.

Turnover	\$ 328,982,000	\$8,672,000
Profit before taxation	30,200,503 4,000,000	10,930,000 1,800,000
Net profits for the period Profit attributable to Minority Interests Unappropriated Profits brought forward	26,200,503 11,286,982	9,130,000
Profits attributable to Shareholders before extraordinary items	37,487,485	20,317,000
Profits attributable to Shareholders Interim Dividend at 8 cents per share Transfer to Reserves	37,487,485 5,906,838 747,596	20,317,000 5,907,000 518,000
Unappropriated Profits carried forward	30,833,051	13,892,000
Earnings per Ordinary Share of \$1.00	35.50 cents	12.37 cents

were as follows:	Cosmopolitan Properties and Securities Limited	Supernational Limited	Best Champ Company Limited
Eric Edward Hotung			
Lincoln Cheng			1
Peter W. H. Mark		1	-
All the above interests at Champ Company Limite Lincoln Cheng and Peter	re beneficial except :	l Limited which	were held by

Your Directors have declared an interim dividend of 8 cents per share as compared with 8 cents paid last year. This is payable on 1st December, 1986, to shareholders registered as at 30th November, 1986. For the purpose of the payment of the interim dividend, the Register of Members will be closed from 24th November, 1986, to 30th November, 1986, both days inchesive.

ERIC HOTUNG

Hong Kong 7th November, 1986.

1986, both days inclusive.

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Shandwick plc

INTRODUCTION TO THE OFFICIAL LIST

Share Capital

Authorised £250,000

in ordinary shares of 2p each

Issued and fully paid £113,177

Shandwick plc is the ultimate holding company of a group of companies, principally engaged in public relations consultancy, which together constitute the largest public relations group in the United Kingdom.

The Council of The Stock Exchange has admitted the whole of the issued ordinary share capital of Shandwick plc to the Official List. It is expected that dealings in the shares will commence on 10 November 1986. Listing particulars relating to Shandwick plc are available in the financial service of Extel Financial Limited. Copies of the listing particulars may be obtained during usual business hours from the Company Announcements Office of the Quotations Department up to and including 12 November 1986 or during usual business hours on any weekday (Saturdays excepted) up to and including 24 November 1986 from:

Shandwick ple 50 Upper Brook Street London WIY 1PG

Morgan Grenfell & Co. Limited 23 Great Winchester Street London EC2P 2AX

Rowe & Pitman Ltd 1 Finsbury Avenue London EC2M 2PA

10 November 1986

means of protection. Others in-cluded storing data off-site and pro-tecting against fires and explosions.

TENDER NOTICE

MALAWI

Fertiliser — Smallholder requirements 1987/88 Season
The Government of The Republic of Malawi and Agricultural Development and
Marketing Corporation have a Fertiliser Rovolving Fund held with The Reserve Bank
of Malawi. The International Fund for Agricultural Development (IFAD) and The
International Development Association (IDA) have contributed to the Fertiliser
Revolving Fund. The Fertiliser Revolving Fund will be utilised exclusively for the
procurement of Fertiliser for the Malawian Smallholder Sector's 1987/88 Season's

Tendering procedures will be in accordance with IFAD and IDA procurement guidelines Brief details of the Fertiliser required are as follows:

Brief details of the Fertiliser required are as follows:

Between 15,000 and up to 25,000 metric tonnes NPK Compound 20:20:0;

Between 30,000 and up to 40,000 metric tonnes Calcium Ammonium Nitrate;

Between 5,000 and up to 10,000 metric tonnes Urea;

Between 5,000 and up to 10,000 metric tonnes D.A.P.;

1,000 tonnes NPK Compound 15:15:15.

The closing date of the Tender is 3rd December 1986 and Tender Documents may be obtained by any interested bidders from the address below:

THE MALAWI FINANCE CO. LIMITED Roman House, Wood Street, London EC2Y 5BP

UK NEWS

Thatcher to air defence doubts with Reagan

BY PETER RIDDELL, POLITICAL EDITOR

gan the reservations of Britain and such points to be made. other European countries about some of his ideas on the elimination of ballistic nuclear weapons which he put forward at the Iceland sum-

urday with the president at Camp David, before returning to London

Mr George Younger, the Defence Secretary, said yesterday that she will make clear the "slight differand the worries of West Germany cos. over shorter-range ballistic mis- But Mr Younger said Britain be- Union.

MRS MARGARET THATCHER, siles. He claimed, however, that lieved that there could be no questive Prime Minister, will later this British-US relations were at their tion of reaching a zero balance in week discuss with President Reabest for some time which enabled such ballistic missiles without sub-

concern was about certain "aspira-tions" for eliminating nuclear weap-sure the US would take these views

stantial reductions in conventional Interviewed on independent tele- weapons on both sides en route, as vision, Mr Younger said Britain's well as the elimination of chemical

mit with the Soviet Union last month.

Mrs Thatcher will fly to Washington on Friday. After meetings with administration officials that evening she will hold discussions on Satward with the precident of Saturday with the sat

be will hold discussions on carry with the president at Camp balance of weapons. Britain would be "happy to go along with" a 30 to be "happy to go along with" a 30 to 50 per cent reduction in ballistic missiles in the first year, as discussed in Iceland. He noted that the cussed in Iceland. He noted that the says between Europe and the US clusion of British and French weapons.

Mr Younger repeated the British view that anything further than general research into the strategic detence initiative by the US, such as space testing and development, would require renegotiation of excitations of British and French weapons.

things settle down and we establish

a regular pattern of trading, inter-

The problem of sluggish trading has been compounded by concern

about the prospects for new issues on the USM. On October 27 the Stock Exchange introduced revised rules for new issues. The new rules

were intended to make it cheaper and easier for companies to raise capital on the stock market. Thus

far all the reforms seem to have

achieved is to create confusion

among USM sponsors - a group of which has lodged a formal com-

plaint with the Stock Exchange

and to have encouraged larger USM candidates, such as Lloyds and

Miss Sam, to head for the main

This departure of larger compa

nies to a full listing could be accompanied by a move of smaller companies to the Third Market which the

Stock Exchange proposes to intro-duce early next year as a junior tier to the USM. The accountants,

Touche Ross, predicts that compa-

nies with pre-tax profits of less than

£500,000 will opt for the Third Mar-

ket and those with more than Elm

market

est will pick up again."

Alice Rawsthorn assesses the USM on its sixth birthday

Big Bang casts a cloud

THE UNLISTED Securities Market (USM) can celebrate its aixth birthday today with a clear conscience. In the six years since dealings began, the USM, which recently recruited its 500th company, has achieved everything, and more, than its mentor, the Stock Ex-change, expected of it. Yet its sixth birthday falls at one of the most critical points of the USM's short life.

Perhaps predictably, it is the Big Bang and the changes it has intro-duced to the pattern of trading in the London securities industry that is at the root of the USM's problems. Yet there are two schools of thought in the City of London on how problematic deregulation will prove to be.

The pessimists paint a gloomy picture for trading in the shares of small companies after the Big Bang. In a more competitive envir-onment the securities houses will. they argue, concentrate on the larg-er, more profitable transactions generated by shares in hig compa-nies to the detriment of the smaller stocks quoted on the USM.

The optimists counter that tradasways been illiquid and will be no USM market makers have better, or worse after the Big Bang.

The prospects for the larger, more active stocks may eveo improve given that more market makers have Myers, Chase Manhattan and the stocks of the optimists more use relief of the optimists more used. emerge to deal in their shares.

In the approach to deregulation out. Some institutional investors ithdrew from small company investment altogether; others remain markets in all USM stocks. committed to the market but have Prudential Corporation, for exam-Prudential Corporation, for example, the USM's largest institutional fall into the gamma category of investor new invests in one in trading. 14 of the larger, more ac-

graduating from the USM to a full 'Betas'. Perhaps perversely the only listing has accelerated. Many of publicly quoted Delta companies instant nas acceptated samp of these companies cited concern about liquidity as their reason for graduation. There has also been a perceptible trend for new issues which, theoretically, would seem better suited to the USM to plump for the main market. The drug

Human errors

computer snags

COMPUTER DISASTERS, when a

new survey.

Some 51 big accountancy practices responded to the survey, which was cerried out by Datasolve,

the computer services subsidiary of Thorn EML

Computer disasters among their client companies in the past five years were experienced by 28 per

disasters in their client companies

was seen as the most important

Contracts and Tenders

renders are invited for the supply of vehicles for traveling officers at the Count Countil under a contract hire schome.

Counce Backer a conservant sectalls, are character from the County Treatment of the address before to be delivered in the special environment of the treatment of the county Treatment of the special environment of the treatment of the county of the county

Clubs

The Council do not bind them to accept the towns; or any tender.

K. A. ABEL. Chief Executive. County Hall, DORCHESTER, Dorset DT1 1XJ.

cent of the firms. The main res

could have been prevented. Ensuring that stand-by compu-ters can take over at short notice

blamed for

By David Thomas

example, initially considered a the Big Bang, compared with a tan-USM flotation but went public with gible increase in turnover of the a full listing last week, as will the larger Alpha stocks on the main fashion manufacturer Miss Sam market, and of distinct lack of interholdings, this week. est on the part of institutional in-The pessimists had also expressed concern that there would The last two weeks have been be a pencity of market-makers, for USM shares after the Big Bang. very quiet on the USM," said Mr Winterflood. "But the market itself has been in turmoil. Perhaps once

Even County Bisgood, the only job-ber to have made markets in all USM shares, threatened to rationalise its activities if liquidity suf-Since the Big Bang the picture has become rather more clouded.

* until September 30 Sources: County Securities, Haare Govett, Touche Ross

stores chain, Lloyds Chemists, for

to the market. Meanwhile County Bisgood has, according to its directhe pessimists views were borne tor Mr Brian Winterflood, reviewed out. Some institutional investors the situation and decided, for the Every USM company began the deregulated era with at least two

market makers for its shares. Most three, rather than one in two, new issues. Similarly, the flow of companies the Parkfield Group have become the category in which shares are least frequently traded - come from the main market and not the USM.

Yet the pace of trading in USM shares, and indeed in most small company shares, has been distinct to the main in by sluggish. Market makers report to the USM.

to the main market, leaving the rest **Profitability**

By Janet Bush

in Britain

improving

BRITAIN has generally been less profitable than other developed company's computing system stops operating, are a serious problem for British businesses, according to a countries over the last 30 years but the performance gap has narrowed in recent years, according to the Department of Trade and Industry's British Business magazine.

International comparisons of profitability are difficult because of the differences in statistical methods between countries. But a com-parison of net profit shares, the net operating surplus as a percentage of net value added, shows Britain's for the disasters were given as staff errors or disruptions such as fires. Two-thirds of the firms said that performance is now similar to those in other Organisation of Economic Co-operation and Development

> One notable feature is that the net profit share of Britain's non-fi-nancial corporations is now higher than in the US and France. In the industry plus transport sector, Britain's net profit share is now higher than West Germany's, although this is partly because of North Sea prof-

Figures for 1955-1984 show that rates of return declined in most countries over the period to around 1980 but then recovered.

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MERRILL LYNCH

INTERNATIONAL BANK LTD Agent Bank

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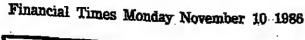
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BEL UXEMBOURG IN THE NEWS report for international decision-makers

Luxembourg's growing contribution to the development and scope of international capital markets

BY KARL GRUEN

The role of many financial institutions in intermediating between lenders and borrowers has been altered significantly during the past five years, and this process has not yet reached its end. Liberalization measures in a number of major financial centers and the emergence of new financing instruments are at the root of these changes. "Marketability" of both assets and liabilities is the key word. Consequently, "securitized" lending is gaining in importance against the once dominant syndicated loan business.

Such developments are beving e dramatic effect on the structure of the balance sheets and profit and loss accounts of most international banks. Growth in classical Eurolending has been slower in recent years compared with the booming seventies. Yet, the income of the vast majority of Luxembourg-based banks held up well against the problems of worsening country risks and deteriorating lending

A Bank of England compilation of international banking figures by centers shows that the share of international bank lending of the three largest banking centers together (London, New York and Tokyo) has been falling during the last two years, from over 50 percent in 1985 to 48.4 percent in 1985 (end-September), and this despite a strong growth of loans booked in Tokyo. The major rise was in the share of continental European centers, among them Luxembourg. By volume on the books the latter now ranks fifth among tho leading interpational banking centers, after the United Kingdom, the United States, Japan and France.

It is from such a base of strength that Luxembourg-based institutions continue to diversify into fee generating activities. Not only have they been able to change their funding ratio between non-bank and bank deposits (from 1:8 in 1979 to 1:4

in 1985), but they also heve increased their non-interest income by more than 65 percent from 1982 to 1985. While the former fact indicates e distinct rise in private banking ectivities, the latter reflects partly a growing importance of securities-related transactions.

Substantial **Eurobond Activity**

Except for 1982; the number of Eurobond issues with a Luxembourg participation in the syndicate has constantly been over 20 percent of the total. The continuing weight of these commitments was egain mirrored in last year's underwriting statistics.

The important role of Luxembourg in the Eurobond market did not emerge by accident. Damien Wigny, executive director of Krediethank S.A. Luxembourgeoise and until recently chairman of the Associ-

Total

Total value

Number

STCAY

Others

Number

Total value

Number

Total value

Total value

Mntual funds

Luxembourg Investment Funds

ation of International Bond Dealers, stresses three direct contributions by Luxembourg to the success of the Eurobond market: "imagination, placing power and a strong presence in the secondary market." By no means does auch a claim oppcar exaggerated.

As for new ideas, new techniques and new instruments Introduced to improve the flow of funds from leaders to borrowers, Luxembourg banks were promioently involved from the foception of the Eurobond market. What is generally recognized as the first ever Euro issue, a 5 million Unit of Account bond issoo for the Portuguese company Sacor, was launched by a Belgo-Luxembourg group in 1961. Later in 1965, when the Eurodollar bond as such was born in the form of the famous US \$ 15 million 15-year issue for Autostrade of Italy, it seemed only natural at that time that the five-strong managemeet group included a bank from Luxembourg. In 1981, the first ever ECU bond deal, an Issue for Softe, subsidiary of STET

632,5

359.7

100.2

Weight of the component currencies in

598.0

246.9

40.8

ways been higher than liabilities suggest-

ing that the difference is being funded

with ECU component currencies directly.

At the same time, the use of the ECU in the

international bond market literally

the ECU basket

(Società Finanzaria Telefonica per Azioni), the Italian state company of the telecon munications industry, was brought to the market by a Belgo-Luxembourg group. Ever since, Luxembourg-based institutions have continued to play leading roles in developing the ECU. This is illustrated by the fact that in 1985 the ECU was the fourth most used decomination in the international bond markets after the US

dollar, the Swiss frane and the D-mark. For Luxembourg banks to be in the forefront of so many new issues also reflects an international recognition of their extraordinary placing capacity, both with institutional and with private investors. In particular, they maintain close contacts with medium-sized insurance companies and pension funds. In addition, what is usually called inhouse placing has significantly gained in importance during

Volker Burghagen, managing director of Compagnie Luxembourgeoise de la Dresdner Bank, summarizes the reasons behind Luxembourg's popularity with the wealthy international investor under these headings: "Legislation on bank secrecy, existence of a full universal banking system, no minimum reserves, no VAT on gold, no disturbing tax regulations for foreign customers, an efficient banking supervision, political and social stability, no sudden and tough changes in the legal environment relevant to investors short, a high degree of reliability."

242 Investment Funds

A further indication of Luxembourg's importance as a turntable for the funds of private investors is the growth of the investment fund sector. The number of

each day. More and more portfolio man-

agers in various countries have been con-

verted to place larger parts of their assets

under management in ECUs. ECU bor-

rowers, who up to now predominantly are

names from Italy, France and the Euro-

des of August 4, 1986

in Public Eurobond issues					
	1981	1982	1983	1984	1985
All currencies Issues where Luxembourg banks participated in the underwriting syndicate Volume Percentage of total	5,297 21.8	7,125 16.5	10,060 22.7	16,769 25.4	55,532 26.6
Issues quoted on the Luxembourg Stock Exchange	212	4000	(20.7	
Volume Percentage of total	11,058 45.4	20,928 47.9	27,366 61.9	40,987 57.3	84,158 63.3
ECU Issues where Luxembourg banks participated in the underwriting syndicate Volume	208	680	1,575	2,604	4.262
Percentage of total	100.0	100.0	91.9	100.0	62.4
lssues quoted on the Luxembourg Stock Exchange					
Volume	208	680	1,714	2,604	6,585
Percentage of total	100.0	100.0	100.0	100.0	96,3

these funds registered in Luxembourg reached 242 by the end of June 1986.

In addition to a growing involvement in the management of these funds, Jean Pierson, member of the executive committee of Banque Paribas (Luxembourg) S.A., observes that Luxembourg institutions aupply the full range of services necessary to administer and run investment funds. He adds: "The availability of direct computer connections ensures efficient communication between administrator, adviser and manager." Pierre Jaans, head of the Luxembourg Monetary Institute, has welcomed the growing number of investment funds as an enrichment and a diversification of the financial center of Luxembourg and indeed calls it "a trump in the international financial environment marked by a shift of activity from the traditional syndicated credit activity to a market for a wide range of bonds and other marketable instruments,"

Luxembourg's

The bealth of any market must always be judged by the existence of a liquid and smoothly functioning secondary market. Regarding the Eurobond market in particular, Luxembourg has from the beginning been contributing substantially to the provision of such a secondary market. One important formal pillar for the transparency of the Eurobond market is indeed provided by the listing facilities of the Luxembourg Stock Exchange. Its 45 page official price list gives quotations for almost 4,000 securities, some 87 percent of which are for Eurobonds denominated in 20 different currencies or currency baskets. All in all, two-thirds of the volume of all public Eurobond issues representing issues for more than 1,600 different

Compared with a global secondary market turnover in excess of US\$ 2.5 trillion per annum the actual turnover on the stock exchange is certainly less impressive. Eurobond, transactions are done mainly in a dealer market provided by market makers who themselves communicate electronically all over the world. Moreover the president of the Luxembourg Stock Exchange Commission and general manager of Banque Générale du Luxembourg S.A., Jean Meyer, points out that by looking as well for "beyood deals for size only" and by serving the small eod-invostors, the Luxembourg Stock Exchange is providing a particular market segment with essential liquidity.

Luxembourg contributes significantly

banks of the Association of International Bond Dealers the Grand Duchy is, next to the United Kingdom and Switzerland, one of the most important regions of the

Practically all sectors of the Eurobond. market are thus being served from Luxembourg. But there are, of course, certain market sectors for which international dealers cannot but regularly call on Luxembourg names when they try to establish going prices. Among these are bonds denominated in ECUs, D-marks, Japanese yen, and Dutch guild-

As barriers between domestic and international markets are coming down and new investment and lending techniques are being developed, the infrastructure of the international capital markots needs constant improvement and adaptation. Here again, a Luxembourg-based organization is in the forefront of progress. Cedel, one of the two major international inception in 1970, made a remarkable contribution to the development of cross-

The Role of Cedel

border transactions.

Owned by 100 institutions from 16 countries, it directly serves almost 1,700 participating banks, brokerage houses and other financial institutions located in 60 countries by eliminating physical transfer of securities between sellers and buyers on a worldwido scale, Cedel also provides a number of ancillary facilities linked to the settlement of cross-border transactions. More than 15,250 issues are now being cleared through Cedel. They include Eurobonds, floating rate notes and convertible bonds, Yankee bonds, US treasury bonds, Samurai bonds and Swiss franc foreign bonds, German domestic bonds, Euronotes, Eurocommercial papers and certificates of deposit issued in London, New York, Luxembourg, Hong Kong and Singapore as well as internationally traded equities and gold ballion. At end-Juno 1986 some US \$ 131 billion worth of issues were beld by Cedel under central administration. Turnover in 1985 reached US \$ 762 billion.

Of particular importance, according to Cedel chairman and member of the executive board of Banque Internationalo à Luxembourg, Edmond Israel, is the fact that Cedel is the main central safekeeping and clearing institution for financing instruments denominated in ECUs. Furthermore, be underlines "the double role of Luxembourg as e banking center within the global market as well as the financial capital of the European Community."

Stock Exchange

borrowers from 55 countries are Luxembourg-listed.

to the smooth development of the international bond market. With 60 member

Mr. Jacques Grosjean, Press Secretary, ABBL, Luxembourg Bankers Association, B. P. 15, L-2010 Luxembourg. Yes, please send me

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LUXEMBOURG IN THE NEWS



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The coming of age of the ECU

Source: Luxembourg Monetary Institute

The ECU market is growing to impressive size. The use of the ECU as a unit of account in international transactions has increased rapidly during the last four years. Future growth prospects look bright Luxembourg-from where the first ideas for a "European Currency" originated and where ever since imaginative applications of the concept of a European basket currency have been intensely cultivated - is set to benefit from a further substantial broadening of worldwide interest in the development of the ECU.

Nothing demonstrates the success story of the ECU better than a recent advertise ment in a U.S. publication under the headline: "The ECU has a future in New York." Sixteen years after Pierre Werner, the former prime and finance minister of Luxembourg, vigorously advocated the concept of a European Currency Union there are still as many currencies within the European Community as there are members. But far beyond any official progress towards full formal recognition of the child that later, in 1979, was christened European Currency Unit (ECU), market forces have started to adopt the idea with overwhelming enthusiasm

Already in its 1985 Annual Report the Bank for International Settlements was prompted to state: "In view of the high degree of diversity of the ECU market and its broad institutional underpioning, there can be little doubt that the use of the ECU will be a lasting feature of the inter-national financial markets." How well established a phenomenon the ECU has become, at least among professional and institutional participants in the international capital markets, is highlighted by the following observation of Jean Krier, member of the executive board of Banque Internationale à Luxembourg: Not long ago," he remarks, "most people had to resort to their calculators in order to arrive at the going interest rates for ECU-denominated paper by weighting the various basket components. Today, ECU yields and their spreads, although related to those of component currencies, are increasingly considered as having their own existence.

At present, the ECU consists of fixed quantities of the currencies of ten of the twelve European Community member states. Those of Spain and Portugal are expected to be included in the basket by 1989. These quantities depend on a number of periodically reviewed criteria related to basic economic factors. Although the weight of the component

currencies in the basket as well as the actual market value of the ECU are linked to currency fluctuations, the relative stability of the ECU in a world of highly volatilo foreign exchange rate markets is widely acknowledged. This is, of course, not only the result of administrative EMS rigidities, but also of the fact that the ECU represents a mix between stronger and weaker currencies. The ECU, in its own way, reflects the ecocomies of a major region of the globe which are gradually converging.

ECU: A Brief Survey

Although a limited number of private transactions were pioneered before 1981, the ECU did not receive much more than the benefit of curiosity by banks outside Luxembourg until this date.

Since then, the role of the ECU as an investment and lending currency has systematically been broadened, not least with the active support of Luxembourgbased institutions, including the Euro-

The use of the ECU in the international banking market has been growing im-

floating rate notes, ECU zero coupon bonds, ECU paper with participation warrants and convertible bonds, ECU issues with extendable maturities and issues with adjustable bonds. At the short end of the market, ECU certificates of deposit, both fixed and with floating rates, have frequently been launched. In the money market, the number of banks actively participating is estimated to have reached several hundred with approximately a dozen acting as market makers. The ECU is bought and sold spot

and forward against practically all other

convertible currencies, an additional fea-

ture being the beginning of thriving ECU

futures and ECU options trading. At present, a widely spread opinion is that the role of the ECU could be further extended not only as an investment and trading vehicle, but also as a means of involcing commercial transactions, Thanks to increased acceptance of the ECU by private and corporate users, the basket currency is receiving growing of-

ficial recognition. Luxembourg banks have always been among the most enthusiastic protagonists of a development which now has reached a phase when the internationalization of the ECU is becoming more obvious with

pean institutions, are increasingly coming This development was accompanied by a proliferation of available instruments from Japan, Scandinavia, the United both in the Euromarket and in enumber of States and Australia as well. Moreover, a clearing system of the ECU set up by various banks has been functiondomestic capital markets. In eddition to conventional straight issues and among available instruments, appeared ECU ing since October 1, 1986.

Growing ECU Appeal

It is only natural that along with such a growth and diversification of the market the ECU cannot remain the sole property of any particular financial center. So far, business has been concentrated mainly in five countries, France, Belgium, Luxembourg, Italy and the United Kingdom, with the United States and Japan also showing oncouraging signs of increased interest in devoloping the ECU market.

While banks in Italy account for the bulk of total bank claims on non-banks, while banks in the United Kingdom specialize in the interbank market and banks in France are in a somewhat intermediate position, banks in Belgium and Luxembourg account for a very large share of total ECU cross-border lending to non-banks and at the same time attract a sizeable amount of ECU deposits from non-banks. Investment portfolios and deposit accounts of investors of all sizes with Luxembourg banks are indeed proof that, as ABBL president Remy Kremer puts it, "the private investor strongly believes in the future of the ECU."

and the state of t

pean Investment Bank. pressively since 1982. Bank assets have al-The Growing Use of the ECU in the International Banking Market

Assets	Liabilities
6.5 e	5.5 e
	10.9
	. 22.5
	29.9
	33.4
	42.4
-	48.5
_	54.9
	CU Newsletter.
	Assets 6.5 e 11.9 28.0 37.1 38.8 46.6 54.5 61.4

e - estimated. Source: Bank for Internation



Bringing down the house

Preacher and GM director Leon Sullivan has made himself the conscience of US business in South Africa. He talks to Terry Dodsworth

General Motors and IBM have announced their withdrawal from South Africa, and in black Philadelphia the Rev Leon Sullivan, the most distinguished US clerical campaigner against epartheld, is in the mood

for celebration. He stands at the pulpit in an uncompromising preacher's church. The semicircle of pews and the balcony fecing him are packed with at least 1,000 worshippers, in their Sunday best. Behind him the choir is swing-ing to the rhythm of a hymn which sounds as plaintively painful as the blues. Emotion is soon flowing palpably through the church as the congregation responds to the performance

with cries of Amen and out-breaks of applause. Leon Sullivan is 6 ft 5 in tail, an imposing man whose athletic prowess helped him win foot-bail scholarships through univer-advancement and emancipation." sity. He towers over the exhaired Baptist preacher with a message which reaches beyond Christianity to embrace the fight for racial justice and equality. Today, after years of brings the sermon to a trium-phant conclusion with an oratori-cal climax which would have done justice to Martin Luther

King. "When we initiated our effort in South Africa ten years ago,"
he cries, "people said discrimination would stay for another
300 years. But they didn't realise that God was there. . . . When GM decided to get out of South Africa, God lifted the mountains and said: Leon, walk. And when IBM decided to get out of South

T IS the Sunday after Africa, God lifted the mountain again and said: Leon, walk. He has heard our payers. He said: Leon, walk — and I'm walking." To see the Rev Sullivan in this setting, jumping from the pulpit to march through his congregation as the choir breaks into yet another incantatory chorus, is to realise wby he has been such a force in the black movement for three decades. movement for three decades.
The church gives him roots. It
provides the inspirational support and the organisational
backing that makes consistent,

long-term ection a practical pro-The black movement depends a lot on black ministers because they have the freedom and the independence to act," be says. "I am not a businessman and I am not a philospher or edu-cator. I am a black Baptist preacher who believes that his

At the Zion Beptist Church on congregation, a white- Broad Street, Philadelphia there of religion and black activism that he poor working class district, the largest and by far the richest. struggling against partheid, he largest and hy far the richest-

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10th November, 1986

reckoned to be one of the largest black churches in America and takes a collection every Sunday which runs into several thousands of dollars. On all but the wettest of Sundays people flock to bear the Rev Sullivan's contours to such numbers that

oratory in such numbers that

they are standing in tha aisles. Zion's size, wealth and pres-tige ara one of the factors be-hind his influence in the black movement. But to a larger degree, his prominence, and his position as the second most con-troversial black clergyman after the Rev Jesse Jackson, rest on his work in the white man's business world. Since 1971 he has sat on the board of General Motors, the largest company in the world; and, with the full weight of GM behind him, he has become the leading policy-maker on apartheid for American business in South

This policy is enshrined in the so-called Sullivan Principles, a set of guidelines for responsible preacher who believes that his corporate action in South cause and his mission is black Africa first developed almost ten years ago. Impregnated with the belief that the South African Government can be reformed from within without violent conmoderate who shuns uncon-trolled conflict.

They lay down rules for equal

When Sullivan arrived et the church 36 years ago, it bad a should bave attracted both criticongregation of 600. Todey it cism and controversy. For the

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US corporete divestment, this see it is to belp people on gradualist approach is seen as a Earth." sell-ont to corporate America It is easy to ettack Leon Sullivan as a capitalist tool, the token black man on the GM board who has been lured into

condoning continuing US investment in South Africa. The radicals are right, in-deed, in arguing that the Principles have provided an effective against blacks—native moral justification for companies refusing to divest their South African interests. About two thirds of the 200 or so HS two-thirds of the 300 or so US corporations with investments in South Africa bave signed the Principles, and they frequently deflect criticism by pointing to the fact that they are operating according to the code. Yet Sullivan, who had himself

been an early proponent of dis-investment, advocating with-drawal at GMa shareholders' meeting in 1971, when he was already a director of the com-pany, has no problem in justifying tha Principles.

clearly the work of a political power him through his trade union, you begin a powerful force for change.

conversion f poor working-class district, the poor working-class district, the largest and by far the richest-looking building on a street where every second structure seems to have been spawned by the great hlack American by the great hlack and the possibility of advancement of Pentecost, the Cathedral of Deliverance, the Greater Exodus Baptist. Joe Frazier, the former world beavyweight boxing chamble in the workplace.

In such a politicised arena as plon, came from here, and has his gym in a tatty building a mile or so from Zion.

When Sullivan arrived at the class and controversy. For the should bave attracted both critical provide shelter for people and provide shelter for people an His approach was a natural evolu-

has a membership of 6,000, is redical anti-apartheld groups who have no homes. That is reckoned to be one of the largest black churches in America and African Government through and the mission of Jesus as 1

In the 1950s and 60s his ectivism led inevitably to the Civil Rights movement, and a confrontation with the US economic structure that was to have a pro-found effect on his work and ministry. He organised a pro-duct hoycott of Philadelphia employers eccused of discriminat-ing against blacks — an when the employers caved in, he realised that many of the people be had been fighting for lacked the skills that would enable them to keep a decent joh.

This recognition led to an inltiative which marked him out as a moderate among black leaders, willing to work with-in the economic system. Startin the economic system. Starting in an empty Philadelphia gaol with money borrowed on his bouse and from any available source, be set up a training

pany, nas no problem in justifying tha Principles.

"At tha centre of the Principles was the idea of the empowerment of the black worker, because I believe that if you educate the hlack man and empower him through his trade union, you begin a powerful able source, be set np a training programma which has become the largest of its kind in the US. Today, after proving its worth in Philadelphia, it empower him through his trade union, you begin a powerful

Meanwhile, in the limited sense of the amount of support they have garnered, the Principles have been a success. But judged in the light of what they set out to do-to help destroy apartheid — the con-troversy over the code is likely

sullivan, naturally, sees things very differently. The Principles, he says, have to be accepted for what they were intended to be. But where he concedes that but where he concedes that they have not worked is in widening their appeal to other foreign companies in South Africa, and in making any visible impact on the South African Government. The original idea of the coda was to make it steadily more radical make it steadily more radical in its drive against segregation, finally forcing companies to de-nounce apartheld categorically. The overall corporate sector in South Africa has not moved far

enough or fast enough along this The moves by GM and IBM are helpful at this time, he adds. because they deliver a message to the South African authorities that time is running out for US companies in the country "un-less the pillars of apartheld are dismantled." He clearly recognisea that the only hope for the gradualist approach in South Africa is to administer the regime a short, charp shock of this kind. If the Government still does not listen, he will fulfil his promise, announced more than a year ago to call for a complete economic em-bargo of South Africa from May

In next year.

The sermon that he thunders from the Zion pulpit as a fundamentalist Baptist minister sounds fust as convincing today as all the tidy pragmatism of the Sullivan Principles. It is a message full of the optimism of faith and the certainty that freedom is certainty that freedom is achieved only through suffering. "I want you to know," he tells his congregation "that God is in everything that is happen-ing in South Africa . . . He is testing the hlack man . . . and one day our people will be free."

PERSONAL FILE 1922 Born Charleston, West Virginia. Education: West Virginia Seminary, New York. Columbia
University, New York.

1950 Pastor, Zion Baprist Church; 1964 Launch of Opportunities Inrialisation Centres—a nation

1971 Director, General Motors.

I'm afraid it's just not croquet

BARRY RILEY

NSTITUTIONAL clients are almost in paradise, able to deal in large size end on diminutive spreads, but the fear is that it is all too good to last. At some stage the market makers will have to begin making some money.

Two weeks after Big Bang the glare of publicity is still upon the frailty of the Topic comthe frailty of the Topic computer system (with another two brief failures on Friday) and upon the administrative problems within the settlement process. Weekend working was bad enough in the pre-Big Bang dress rebearsals, but Saturday's emergency call to sort out misdress renearsals, but Saturday's emergency call to sort out mismatched bargains did not go down at all well with the market's practitioners.

But the settlement problems eppear to be due to a general lack of familiarity with amended procedures rather than an entire the settlement of the settlement with any catastrophic failings of the new systems of any particular member firms. These difficulties should prove only temporary. Yet the emerging trading patterns within the new market structure could prove to be of more enduring significance. with any catastrophic failings

The main feature, market participants agree, is that trading by institutional fund managers net of commission directly with market makers has caught on much more rapidly than anticipated. There is a big question mark over the future of agency broking, for a com-

Another important, and associated, feature has been the very rapid depopulation of the Stock Exchange's trading floor. Tha success of telephone trading has led to an almost com-plete movement by market makers to "upstairs" trading rooms. The Stock Exchange's £3m investment in improvements to the trading floor now looks very doubtful wisdom; by the same token its plan to recoup part of this expenditure by charging a befty entry fee for agency floor dealers appears distinctly optimistic.

That the market should develop in this way is not at all surprising, but it was not so easily predictable that it would

happen so quickly.

Of course, the exchange's decision to run a trading floor at the same time as a new screenand-telephona trading system amounted to a straightforward

very realistic to argue that the ssytems could coexist in

two ssytems could coexist in the long run.
Similarly most of the major broking firms decided to offer an agency service as well as a direct market making facility. It was prudent to offer clients both alternatives while uncertainty existed. But the blg securities firms took care to build flexibility into their structure, flexibility into their structure, and they will no doubt he considering whether to adjust their allocation of resources.

But these are still very early days. There are signs that the institutional fund managers are enjoying flexing their muscles in a way that mey not be such in a way that may not be such fun when the novelty wears off. "Vengeance is sweet," answered one fund manager last week, explaining his reluctance to pay separate commissions. This was his chance to hit back, after years of lining brokers pockets. A quite different view came from another institutional investor, who complained that neither he nor the agency brokers bad a feel for the market in the same way that market in the same way that they enjoyed under the old system. Indeed, there was a fear that the agency arm of a market was not in a position to

broke the market properly.

Perhaps this would change as
the brokers became more familliar with the inner workings of the new market. But for the time being it aeemed more logi-cal to deal directly with the market makers.

There is a difference bere between the majority of leading securities firms which have decided to act separately, both as agency brokers and market makers and the two hig firms James Capel and Cazenovewhich bave confined themselves to the egency role. There are indications that these firms have struggled a little, although not so much as the agency arms of the dual-service firms where the internal conflicts have proved damaging. So the fund managers are

enjoying themselves. In giltenjoying themselves. In Ente-edged the spread has often dropped to a sixteenth against a quarter of three-eighths in tha old market, and individual trades of more than £100m have been completed. In leading equities it bes often been pos-sible to deal "choice" in size,

bedging of bets. If the tele-pones were jammed, the floor would be there. It was never been more than a penny or two. Commissions on agency business have fallen by 40 or 50 per cent from pre-Big Bang

But it is doubtful whether this can last for long. The market makers' blood may not yet be flowing in the streets, but it must be trickling down thair desks. The institutions know that they must not take too ebort term a view, or the market will begin to disinte-

Am

Apart from anything else, grate. Apart from anything else, they have made agreements to allocate a certain volume of agency commission to qualify for low rates. Typically, e guarantee of £250,000 of commissisons in a year will be rewarded with a rete of 0.2 per cent £100,000 with 0.25 percent, £100,000 with 0.25 percent

But if they are not doing the expected volume of agency business the question arises whether they will qualify for the finest rates after all. That could lead to a re-emphasis on commission-bearing transactions, or perhaps just to a renegotiation with hard-pressed

hrokers. In the short run the manage know that the research material will continue to flow, whatever happens. They would not be unhappy to see 2 cut in the volume. But disorderly conditions could see the good research teams being disbanded

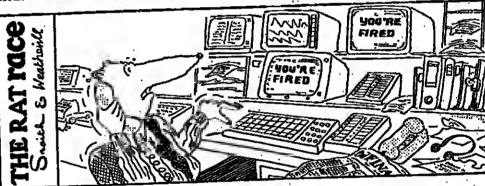
along with the mediscre.

A key element in the current turnoil is that many of the personal relationships between fund managers and brokers have been disrupted. Both the personal and the curtems have people and the systems have changed. When new relationships have developed the pattern of trading could settle

down a little.

But the general rule in the securities market is that the fund managers tend to be reis-tively passive, while the securities firms ettempt to grab the initiative. What is now going on is a cut-throat batle for market share, dominated so far by tha established British contenders, which are however, in-finenced by the threat of what the American and invaders might do.

"The old gama was croquet. This is power poker," was the view of one experienced fund manager last week.



Libraries brought to book

reaction of extreme joy at the Queen's Bench Divisional Court's decision in Regina v Ealing London Borough Council ex parte Times Newspapera Ltd and Others, Regina v Hammersmith ond Fulham London Borough ond Fulkam London Borough
Council ex parte Times Newspapers Ltd and Others, Regina
o Camden London Borough
Council ex parte Times Newspapers Ltd and Others. The
Independent Law Report of
November 6, 1986 covered the
case as did the Timea Law
Report of November 6, 1986.
Yet the delight may need to be
modified after a cool examinetion of the legal issues involved.
The factual beckground to
the proceedings for judicial

The factual beckground to
the proceedings for judicial
review was the decision of
those local authorities, as
library authorities under the
Public Libraries and Museums
Act 1964, to ban from their
public libraries all copies of
The Times, The Sunday Times,
The Times Educational Supplement, The Times Higher ment, The Times Higher Edocation Supplement, The Times Literary Supplement, the Sun and the News of the

World. The decision was a gesture of sympathy and solidarity with the views and activities of employees, their unions, the union leaders and representa-tives in an industrial dispute which had arisen after in transfer of newspaper produc-tion to Wapping, a consequential strike and many resulting

The basis of the Divisional Court's ruling that the library authorities ban was unlawful was thet in all the circumstances it was an abuse of their stances it was an abuse of their statutory powers. The court therefore bad the right and duty in the proper exercise of its 'discretion to grant the remedy of judicial review and declare tha ban illegal.

The library authorities'

The library authorities' relevant duties end powers are contained in the 1964 Act.
Section 7(1) of this Act provides that: "It shall be the duty of every library authority to



comprehensive and efficient librery service for all persons desiring to make use

thereof."

The Act does not confer complete autonomy on local government in this report, but specifies the supervisory functions of central government.

Section 1(1) provides that:
"It shall be the duty of the Secretary of State to superintend and promote the improvement of the public library service provided by local authorities in England and Wales, and to secure the proper discharge by local authorities of the functions in relation to libraries conferred

authorities or the functions in relation to libraries conferred on them as library authorities by or under the Act."

Section 10 of the Act contains powers enabling the Secretary of State to investigate whether any library gate whether any library authority has failed to carry out its duties to the public library service. The investigation takes the form of a local

After the inquiry, the Sec-retary of State is entitled to make an order declaring the authority to be in default and to order it to carry out its duties as a library authority in the manner and time specified Under Section 10(2) of the Act, if a library authority fails to comply with any requirement of the order, the Secretary of State may make an order transferring the library authority's functions relating to the public library service to his own department.

All these provisions seem to create a comprehensive proce-dure for dealing with any defaults or defects by library authorities.

authorities.

Why did not the Divisional Court in its discretion refuse the remedy of judicial review on this occasion and suggest that the applicants take steps or make a complaint to the Secretary of State under section 10(1)(a) of the Act so as to enable the procedure prescribed under the Act to be used? The reason is that the Divi-

sional Court treated the ban not so much as a breach of the library anthorities' duty under section 7 of the Act as an abuse section 7 of the Act as an abuse of their powers. The decision to impose the ban was regarded as an abuse of power because of its ulterior object. It was inspired by political views which caused those anti-orities to use their statutary orities to use their statutory powers so as to interfere in an industrial dispute. In deciding to impose the ban, the authorities had taken into account an irrelevant factor. By this reasoning, the Div-By this reasoning, the Divisional Court was able to consider the process by which the library authorities made their decision to ban the various newspapers end periodicals, and to declare the decision unlawful because of errors in that process, although in the course of his indement Lord Justice Watkins said that there were powerful said that there were powerful indications that the ban in-

volved a breach of section 7. Towards the end of his judgment, Lord Justice Watkins condemned vigorously the conduct of the library authorities. ties and concluded that there could hardly be a clearer manifestation of an abuse of power.

It may be prudent to treat this as a special decision due to the unusual facts at issue. Tha doctrine of abuse of power, like that of public policy, may be regarded as likely on occasion to be an unruly horse. And unruly horses are out of place in courts of law and justice. Libraries are best left

merce is its

FINANCIAL TIMES SURVEY

Monday November 10 1986

Florida

Optimism about the state's future is fuelled by increases in the population, in commercial activity and the number of jobs. However, Florida will have to cope with greater pressures on the infrastructure and environment.

America's 'dream state'

APOLOGISING FOR "sounding like a Texan" as he outlines Florida's growth potential, Mr Charles Zwick, chairman of Southeast Bank, the state's largest, is not slone in finding it hard to be pessimistic about the future of what President Reagan recently described as the "American dream state."

Stimulated by a staggering population growth, estimated at up to 1,000 new arrivals a day, Florida is booming. In the decade between 1974 and 1984 its population rose almost 32 per cent compared with 10.7 per per cent for the US population as a whole according to figures pubwhole, according to figures published by the state's Commerce

Last year alone the popula-tion increased by 3.4 per cent compared with 0.9 per cent for the whole US, employment by 5 per cent against 3.75 per cent, and personal incomes by 8 per cent against 6 per cent. This year Florida will lag behind only California in the rate of population growth and may well population growth and may well outpace California in new jobs and housing starts.

While growth rates have eased and are likely to slow further as the nation as a whole slips into an expected recession towards the beginning of 1988, the upward trend shows no sign of electening. the upward trend shows no sign of slackening.

Mr Zwick expects the state's ness incorporation. Its low

population, now 11.7m, to rise taxes (Florida has no state in-by a further 29 per cent to 15m come tax), below-average wage by the end of the century, rates, low unionisation (the moving Florida up from sixth state has the oldest right to to third largest US state behind work law in the US, passed in

But the strain that this pace of expansion is putting on Florida's over-burdened roads, sewerage and water supply systems, on its prisons, schools, hospitals and social services—not to mention its already fragile environment—is causing encorp and division within the concern and division within tha state. It has added a new note

Its geographic location, be-tween the great bulk of the US

and South America, has made it a centre for trade with Latin America and the Caribbean

financial services.

Some question whether the unchecked growth does not risk

creating conditions that many thought they had left behind

crime. Florida's 1,350 miles of coast-

line and proximity to Latin America and the Caribbean islands make it a natural land-

Miami, estimates that up to 75 per cent of the cocaine

structure.

Anout 90 per cent of Florida's population growth comes from people moving into

By Charles Hodgson

By Charles Hodgson

The state, according to Mr Henry Fishkind, president of M. G. Lewis Econometries at Winter Park.

Nevada and Texas (before the oil slump) have also benefited. But Florida has a number of advantages over its rivals. It is growing faster than most. Its economy, while remaining primarily trade and services oriented, is diversifying rapidly from a traditional three-way dependence on agriculture, tourism and construction into light manufacturing, particularly of high technology products, and into banking and

the state, according to Mr Henry Fishkind, president of M. G. Lewis Econometrics at Winter Park.

larly of high technology products, and into banking and Winter Park

But whereas Florida used to draw its newcomers largely from retired folk it is now attracting younger people in ever-increasing numbers. While the state has by far the oldest average population in the US—18 per cent are over 65—the largest and fastest-growing group is between 25 and 44. when they came to Florida-congested roads, increased pollution and rising inner city

California and Texas.

Some 3m jobs will be created—a 61 per cent increase and personal income boosted and companies seeking to move and companies seeking to move depressed areas, particu-

violators can always out-resource us," be says. Miami with its geographical position and ethnic mix of population is the natural "cocaine centre" of the US, Mr Guinn says. Although Miami produces

Although Miami produces figures showing a decline in all categories of violent crime except murder, it concedes that most crime remains drugrelated. Miami has made serious attempts to clean up the problems including a tough crackdown on street sales of crackdown on street sales of drugs, but violent crime remains an everyday fact of life, particularly in the city's poorer districts.

So accustomed have Miamians So accustomed have Miamians become to their city's image that some business leaders and politicians attempt to cash in on the way it is presented in the popular Miami Vice television show. "It shows the drugs and violence bere, but it also shows the beauty and wealth of the city, "says Mayor Xavier Suarez."

Although the traditional industries, particularly tourism (the state expects over 30m visitors spending nearly \$200n this year) are still important, the economy is losing its former roller-coaster character. This has coincided with a share declina in construction Florida Is, of course, not the ony state to bask in the shift of the economic spotlight from rust-belt to sun-belt. Others in the south east and south west like California, Arizona, Nevad and Texas (before the sharp declina in construction because of a glut in the com-mercial property market and a series of harsh frosts that wiped out over a quarter of Forlda's profitable citrus

groves. Mr Zwick feels that the closer interlinking of Florida's economy with the national economy that this diversification brings may make the state more vulnerable to the effects of a nationwide recession than

wealth."

Younger residents demand more schools, universities, public hospitals and better roads while those that are working needs simply to catch up the backlog on infrastructure and second to the state backlog on infrastructure and second to the state's second to the state second to the state's second to the state's second to the state second to the state's second to the s ing point for drugs. Mr Leon Guinn, assistant regional com-missioner at the US Customs in smuggled into the US this year

will come through Florida.

While the government has increased the manpower and financing to combat drug smuggling, Mr Guinn does not ming restrictions on beach-front cess.

At the end of last year the is a state tax system devised, ironically, to attract newcomers. In this sense Florida has become a victim of its own sucsmuggling, Mr Guinn does not ming restrictions on beach-front cess.

Downtown Tampa. The city's skyline has changed rapidly with the construction of many new buildings including the 42-storey Barnett Plaza and 22-storey Ashley Tower. Tampa also has a monorail

development and calling for an improved infrastructure.

Mr Zwick, formerly a budget director in the Lyndon Johnson Administration, was appointed to head a commission to look into ways of raising revenues to fund the \$50bn to \$70bn back-log. The commission's report will look at short- and long-term so : ious. In the short term it

of a nationwide recession than in the past. "That is the one thing that could pull tha plng if it got so bad as to stop immigration," he says.

Mr Fishkind agrees: "If interest rates get so high that people can't sell their bouses up north, they don't move," be says. But he points ont that Florida has useful buffers nomist at Southeast Bank, puts against recession, notably the it. "Those who came here to protect their wealth and those medicare and savings brought in the short term it might suggest an increase in petrol taxes, road tolls and other "user fees" like airports and seaport taxes.

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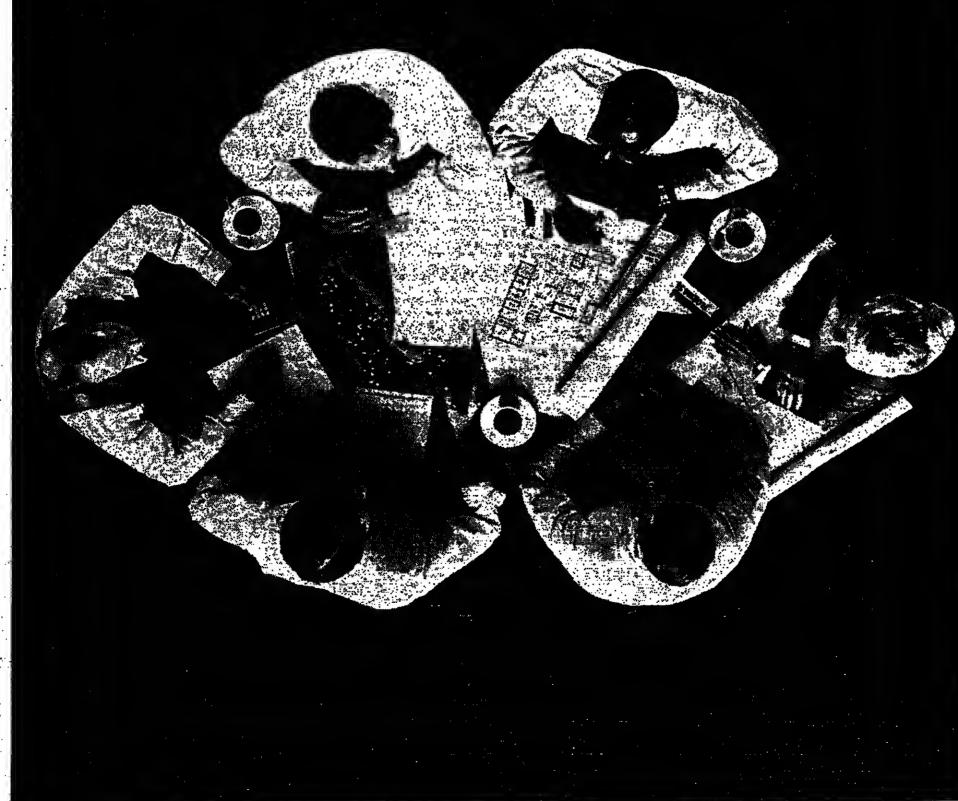
In the short taxes, road tolls and other "user fees" like airports and seaport taxes.

In the it: "Those who came here to protect their wealth and those who bave come here to create wealth."

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is a state tax system devised, ironically, to attract newcomers. In this sense Florida has be-





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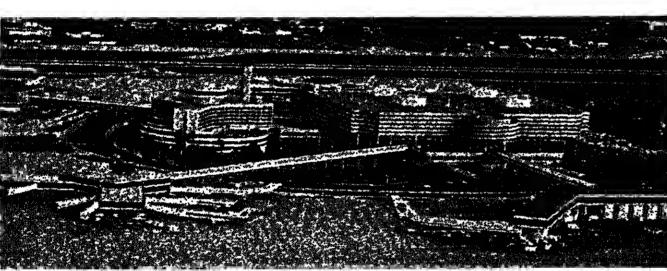
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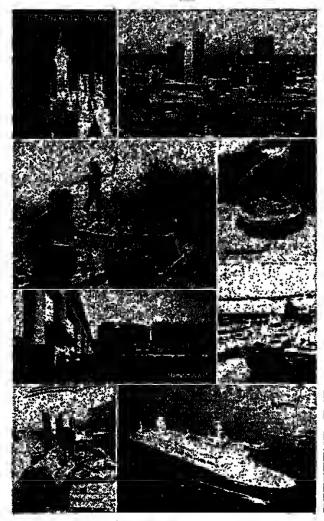
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In fact, for the third straight year Florida's manufacturing climate ranks in the top five in the U.S. And the mpa Bay area is the largest major metro TV market in Florida....

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Florida's largest banks

First six months 1986 carn	-	6 months 1936 net income	% change on year	Pro- vision for lean losses	Non- perform- ing loans	As % of total leans	Reinfu on equity	Return on assets	482 15,873
Suntrust Banks	18,827.1 16,192.5 10,774.0 6,344.7 4,307.9	102.7 74.3 40.8 27.2 22.8	+14.4 +24.0 +51.9 -56.0 + 6.0	44.4 38.1 27.5 14.1 5.7	129.5 114.8 207.5 149.4 26.5	1.00 1.10 3.08 3.33 1.00	18.71 17.33 14.73 18.46 16.00	0.97 0.76 0.88 1.15	381 15,000 162 6,929 170 4,695 122 3,800

Banking

Widespread battle for market share

FLORIDA IS richly served by has become a major force in the financial institutions. There are local market and the sbare of the strength of any close to 400 commercial banks, the smaller banks has slipped with 2,400 branches competing to 44 per cent.

All of the state's biggest whole raft of local savings banks emphasize their Florida market it would be surprising the state of local savings banks emphasize their Florida.

banks which control another \$700n of deposits.

This is more than the combined deposits of the next three biggest neighbouring states—Virginia, Georgia and North Carolina. Florida's rapid growth, and increasingly diversified economy, has made it one of the most attractive banking markets in the US with small one-office institutions battling for market share alongside such out-of-state banking giants as Citicorp and Chemical Bank.

Ten years ago Florida was a highly fragmented banking market. Southeast was the biggest bank with 9.8 per cent market share, followed by Barnett with 7.9 per cent, Sun, 6.1 per cent, Flagship with 5.8 per cent and the rest with

5.8 per cent and the rest with 65 per cent. Since then Sun has 65 per cent. Since then Sun has acquired Flagship and merged with Trust Company of Georgia. Its market share has more than doubled since, to 12.7 per cent, while Barnett's share has risen to 17.7 per cent and Southeast Eank says that more than 1,000 people a day move to Flurida, enough to risen to 17.7 per cent and Southeast east's share has risen to 10.9 per cent and southeast a city the size of Tampa once a year, Of the 20 fastest-prowing metropolitan areas in

the smaller banks has slipped to 44 per cent.

All of the state's biggest banks emphasise their Florida connections. The Jacksonville-based Barnett Banks, advertises itself as "Florida's Bank," and Miami's Southeast Bank bills itself as "Banking on Florida's future." The Jacksonville-based Florida National Banks reminds its customers that "Florida is our middle name," while the Tampa-based First Florida Banks refers to itself as "Florida's namesake."

Florida's namesake."

Florida is easily the most

risen to 17.7 per cent and South-east's share has risen to 10.9 per cent. NCNB, from the neigh-bouring state of North Carolina, the region, 18 are in the state

Politics

Balance changed by immigration

FLORIDA'S RAPID population the 1960s with the adoption of growth is leading to profound single-member districts, dechanges in the state's political signed to give minority groups, as well as economic character. like Hispanics and blacks, a like Hispanics and blacks, a fairer representation in the state The traditional hold of the Democrat party over state and local politics is being steadily weakened by the phenomenal areas a better balance with rural districts.

Nevertheless, Florida has con-

Put quite simply, more of the 1,000 new arrivals entering the state each day vote Republican than Democrat. Over the past nine years, the Republicans points at the expense of the Democrats among voters identi-fying themselves for one party or another, according to Miss Anne Kelly, an associate pro-fessor of political science at the University of South Florida in

Official state figures show that of the 5.2m voters regis-tered in 1984, 3.2m were registered Democrats and 1.7m registered Democrats and 1.7m Republicans. But given the large number of unregistered voters, a better indication of the state's political make-up can be gauged from a 1985 survey carried out by Florida State University. It found that 35 per cant of those polled regarded themselves as Democraty 35 per cent Republican crats, 35 per cent Republican and 30 per cent independents. This compared with a similar survey by the university in 1980, when 45 per cent of those polled said they were Democrats. The Republicans are drawing their increased support

from a number of sources. from a number of sources.

The more recent newcomers have tended to be wealther and more conservative and there has been a noticeable rise in the number of retired servicemen and women moving into the state. A larger number of people in the 25-44 are range (the fastest-growing age group) are moving in to take advantage of fast-expanding business and banking opportunities.

In addition the Hispanie com-munity, which forms 9 per cent of the population, has rallied firmly behind the Republicans' strong enti-communist stance in relation to the US's southern

in eighbours.

In addition, Florida's youth is coming of age during the strong resurgence in national pride identified with the Republican party under Mr

so used to their predominant role that a unified state organi-sation was formed only in 1970 in response to Republican invokes during the 1980s. Their traditional sectors of support, including blue collar retirees and blacks, have not been growing at a rats sufficient to offset the Republican advance.

A gradual realignment appears to be taking place within the political parties. Conservative Democrats are moving to the Republican ranks. Although some Republicans are moving the other way, most of his bestseller Megatrends that the traffic is at the expense of since Florida's age structure to-

the Democratz.

The first hroads made by Retern expected nationally by publicans came in when counties receiving large numbers of settles its internal conflicts will migrants from the north. These had a pointer to the future for advances were consolidated in the nation as a whole.

Florida is easily the most important southeastern state and its local bankers do not and its acal bankers do not miss an opportunity to remind newcomers that it will soon be the third biggest state in the union and its population is expected to grow by 5m between 1982 and the year 2000. Over the last three years its population has been growing at three times the national average and

Nevertheless, Florida has con-

tinued to return a majority of

Democrats to state and local office—until the November 4 election, only one Republican has been elected governor this

century, Claude Kirk in the late

The state has however con

tinned to vote consistently for Republican candidates in presi-dential elections since 1948,

with only two exceptions, Texan Lyndon Johnson in 1964 and Jimmy Carter from neighbour-

Miss Kelly believes it will be

five to ten years before the cumulative effects of that changes now taking place seriously affect the Democrats' control over state and local

The growth of Florida as a

The growth of Florida as a state of exiles has planed an important part in shaping the style and content of the state's pollical debate.

Up to 80 per cent of the population was born outside the state and 30 per cent has moved in within the last ten years. The ideological conservatism of Democrat condidates has

of Democrat candidates has tended to make them largely in-

distinguishable from their Republican opponents and voters have decided on the basis of tone and presentation rather than on issues or party allegiance. Candidates have found the basis of the control o

it hard to establish an identity

for themselves that would allow voters to differentiate, without running the risk of being re-

garded as extreme.

The problem has been compounded by the absence of e single dominant centre in the

state. There are a number of

cerns and problems — Miami, with its recent history of drug-related crime; Orlando, the tourist haven; Jacksonville, now

styling itself Florida's business city; and Tampa, billing itself

as America's next great city, not to mention Tallahassee, the

state capital, exuding all the sleepy charm of the Old South.

No one newspaper or tele-vision station has emerged either with sufficient authority to speak for the state. A split is emerging between elderly Floridians (18 per cent of the propulation is over 65

of the population is over 65, compared with 11 per cent nationally) and the new younger migrants, whose need

for better infrastructure is greater, over howthe money to

fund improvements in intra-structure is to be raised and who

should pay.

The issue does not only affect Florida. Mr James Naisbitt, the

economic forecaster, argued in

ing Georgia in 1976.

of a well run money centre bank such as Citicorp, whose shares are selling at roughly book value, yielding 4.9 per cent and selling at 7.2 times carn-

Barnett has stood out among the regional south-eastern banks by remaining aloof from the rash of inter-state banking mergers which has swept the region over the last 18 months. and has stressed its Florida roots. The group says that "an interstate merger is not precluded but it must be as

the sarnings by 22 per cent in the first nine months of 1986 and says that its long-term tar-get is to increase earnings by between 12 and 18 per cent

Southeast Banking Coapora-tion, which used to be the big-gest banking group in the state and is recovering after a rather rough patch, boosted its third quarter net income by 22 per cent and increased its loans by

The heady growth rates of Florida's local banks has not escaped Wall Street's attention and the shares of most of the major institutions are accorded.

a premier rating as long-term

Barnett Banks is definitely the stock favourite. Its shares stand at more than twice book value, yield 2.3 per cent and sell on a multiple of over 12 times historic earnings. This rating is probably the best of the major south-eastern banks and converge with the rating

and compares with the rating

10 per cent.

This is not to say that Baras fast as the national everage.

In this sont of banking market it would be surprising if the local banks were not making handsome profits. Barnett Banks, the state's biggest bank and the fifth biggest in the southeast, has increased the continue of 22 per cent in

nett is nervous about getting involved in mergers. Local acquisitions have played a key role in its rapid expansion over the last decade and it is in the process of trying to acquire two Florida savings institutions, which will tighten its grip in aeveral key markets.

Barnett expects to be able to boost its assets from their current level of about \$15bn to \$30hm by 1990 by staying within the state. Its strategy contrasts Trust Bank of Georgia in mid-1985. Suntrust banks has leanimportance of the Florida Georgia marketplace which should boast 24m people by the end of the century, making it second only in size to California. Southeast Bank, which describes itself as Florida's premer bank, has flirted with the idea of merging with an out-of-state bank and even considered combining with Barnett, which would create the biggest group in the region. However, nothing has developed to date and South east is concentrating on it. Florida home market; for the

time being. The same goes for the two smaller groups, Florida National Banks and First Florida. The former has done a deal under which it has agreed to be taken over by New York's Chemical Bank if and when the law allows. First Florida remains independent, profitable and wellmanaged but could fall prey to a predator prepared to pay a handsome premium to its cur-rent \$30 a share price.

William Hall

CAPITAL

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a survey on

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THE PROPERTY OF THE

the reasons for the industry's rapid expansion lie largely in the presence of the Kennedy Spare Centre, the heavy build-up in defence spending under the Reagan Administration and the development of the growing biomedical sector. errer a p. The state's high-tech industry

is located in three distinct geographic regions. These the report identifies as the "Space Coast" in east central Florida, stretching from Daytona Beach in the north to Melbourne and the second to the s reaching inland as far as Orlando; the "Computer Coast" running from Miami north to West Palm Beach; and "Technology Bay" covering the Tampa Bay and St Petersburg area.

The reasons for the industry's

Of these, the Space Coast, with its heavy preponderance of defence and space-related companies manufacturing missiles. satellites, computers and milisatellites, computers and mili-tary communications equipment, is growing fastest. Employment here has been expanding at an annual rate of 12 per cent for the past 10 years. Some 36 per cent of Fiorida's 149,000 high-tech workforce and 20 per cent of its 1,614 companies in 1984 were located in the region.

More than 99 per cent of the state's missile and space indus-try is housed in this "magic triangle," including Harris Corp. Florida's largest manufacturing employer which has 11,000 of its 14,000 employees in the ket for computers and semi-conregion: McDonnell Douglas, which employs 2,000 at its missile, plant in Titusville, Martin statewide looks promising. The Martetta, which employs 12,780 at its Orlando plant manufacturing defence systems for missiles and aircraft; Rockwell International's Collins division at

on key industry rapidly become one of the key and ITT which employs 400 at industries on which Florida is its Cape Canaveral plant.

In addition, Lockberd, Mc-

In addition, Lockheed, Mc-The state already leads its Donnell Douglas, Grumman, United Technologies and Pan southern US neighbours in the size of the industry by a wide Am all have subsidiaries linked to service of the Space Shuttle margin and ranks seventh largest in the nation. Accordlargest in the nation. According to a new report published by the University of Miami, Florida has the potential to become the fourth-largest high-tech state behind California, Massachussetts and Texas by stone fleet at the Kennedy Space Centre.

The Computer Coast accounts for 39 per cent of Florida's high-tech employment. Chief among the products manufactured are personal computers—IBM has an 8,000-strong workforce at its Bola Raton plant—medical and bio-medical equipment, such as pacemakers, and semiconductors.

The industry has felt the worldwide slump in electronics most keenly here and workers at Burroughs, Racal-Milgo, RCA and Paradyne have fallen victim to hiring freezes, layoffs and even plant closures.

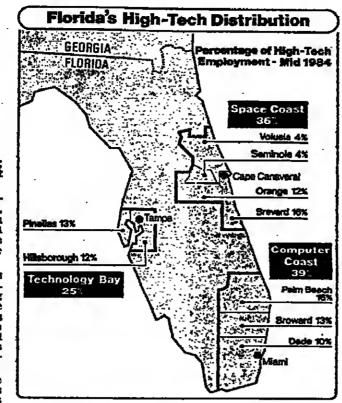
Mr William Cullom, president of the Greater Miami Chamber of Commerce, is confident that continuing strong demand for medical and bio-medical equipment from the growing number of medical centres and hospitals in the Miami area will boost the flagging industry. He notes the importance of the Florida International University as a centre in encouraging research and joint projects with industry.

The University of Sonth Florida is hoping to play e simi-lar role in attracting high-tech companies to the Technology Bay area around Tampa, where 25 per cent of the state's hightech employment is located. The main products manufac-tured here include defence electronics and avionics, telecommunications equipment and computers. Several well-known companies such as General Electric, Sperry, Honeywell and E-Systems are major employers

Despite the slump in the margenerators of future growth will continue to be those of the past; the space programme and the defence industry.

The space programme is set

Melbourne, employing 900 in to resume in February 1988 dent had at worst caused an year. That's a good shot in the the manufacture of communica- with the first Space Shuttle "unfortunate hiccup" in the arm for us."



launch since the loss of Chal- space lenger in January this yeer. The US also plans to launch its first manned space station in 1992 to be built by Nasa and a consortium of British, Jepanese and Canedian companies.

Nasa's involvement could run as high es \$8bn. "A lot of that work would have to come to this area," seys Mr Hank Taylor of the Cocoe Beach Chamber of

He sees exciting possibilities too in the growing interest in commercialisation of space. A recent report by the indepen-dent Paine Commission con-cluded that U3 companies may spend anything up to \$60bn on

"They have to come here," Mr Taylor insists. "Kennedy (Space Centre) is the launch point. They do not have anywhere else to go. The biggest challenge is going to be to find a place for all the companies to be located," be edded. In the nearer term, the

resumption of Space Shuttle flights should lead to a pick-up in activity et the Space Centre by next summer, Mr Taylor says. Mr Dick Young, Nasa spokesman, says that 2,200 of the 16,000 workforce had been laid off since the disaster.

"Congress has ince

awarded programme. swarted contracts worth \$77.6m to companies in Florida during fiscal 1985. The total benefit to the state's economy from new and continuing contracts was \$310m during that fiscal year, according to Nasa Supers.

under the Gramm-Rudman budget balancing act, which calls for across the board cuts if Congress and the President cannot agree on expenditure levels.

"That could have a very definite effect on the defence such projects by the year 2000. industry by clowing down the "They have to come how," increase in defence spending,"

Mr John McCauley, chairman of the Brevard County economic development council, based in Cocoa, predicts a further shake-out in the computer industry as the impact of worldwide over-production confinnes to feed

However, he too sees an inevitable expansion in the space programme continuing to

From a purely commercial priated \$10.4bn for Nasa next viewpoint, the Challenger acci- year, up 42.5 per cent on this

Foreign investment

Arrivals from Europe and Japan

FLORIDA'S geographic loca Commerce Department says, cent of the workforce, tion and well-developed com"The value of the dollar Education facilities, e key munications links make it an obviously has something to do concern among employees in obvious base for companies with that."

doing business with Latin
America and the Caribbean But panies in the state is also being seen in-creasingly as a place for com-panies to serve the US market or to base their US operations.

In mid-1985, there were about 330 foreign companies Far East countries such as Talment has no estimate of the from 31 countries operating in wan and South Korea. These, total value of foreign invest- be says, are potential growth ment in Florida However, the cording to Mr Larry Grossman Department of Commerce.

They are predominantly They are presominantly we are not just setting it is in the color which is found in three sectors: manufacturing (42 per cent); finance, with Latin America but as 56 British companies operating insurance and real estate (19 a good spot to do business with per cent); and retail trade (14 the US, especially the East Davy McKee, Glaxo—whose per cent). Other activities in
Coast," he explains. clude transport and communica-tions, services and wholesale trade and construction.

Foreign companies amploy more than 39,000 people, accounting for just under 1 per cent are attracted to Florida for pre-of total Florida employment, cisely the same reasons as Mr Michael Alsentzer of the domestic ones, Mr Alsentzer Florida Department of Com-merce expects to see 18 new European and seven new Japanese companies set up operations in the state this year.

Mr Slattery says that com-panies in Latin American countries such as Venezuela and Peru had shown interest in setting up manufacturing facilities foreign in Florida and that more in-puiries are being received from The st

"We are not just selling Apart from those countries

that "cannot afford to stay out," principally those doing business with Latin America but as Caribbean, foreign companies cisely the same reasons as domestic ones, Mr Alsentzer

Florida's rapid population growth is creating an expanding expanding port and rapid emerand wealthier market. The state foreign expanding port and rapid emerand wealthier market. The state foreign expanding port and rapid emerand wealthier market. The state foreign expanding port and rapid emerand has low taxes (there is no state foreign expanding with Latin America and benefit to the state's economy from new and continuing contracts was \$310m during that fiscal year, according to Nasa figures.

Mr Taylor sees more danger to the Space Coast from possible cuts in future defence spending under the Gramm-Rudman

concern among employees in companies considering relocation, have been improved.
Miami, for example, now offers multilingual courses to ensure that children of employees from foreign companies do not fall

The state's commerce departquarters is in Fort Lauderdale
—ICI, Lloyds Bank (the biggest foreign bank in Florida).
Plessey, Racal, Rolls-Royce.
Smiths Industries, Tate and
Lyle and Taylor Woodrow.

West Germany is the second largest foreign investor ahead of Japan and Spain. Miami, with its linge airport,

general manager, says that about 15 per cent of imports from Europe are now for

transhipment.
The state's other leading cities are also stepping up competition for foreign invest-

The Tampa Bay area has attracted a good number of British and Japanese companies. ment in Florida. However, the Cording to Mr Larry Grossman of the local chamber of comit is in the US as e whole. At merce, with its mix of manuthe last count there were about facturing, wholesale and received. trade, agriculture, tecunology and tourism.

"We see a whole lot more growth," Mr Grossman says. "Between 60 and 70 per cent of all new development here

The region received a shock last month however when Siemens, the West German mechanical enginering giant, announced plans to close its \$50m motor and generator plant at Bradenton, 25 miles

south of Tampa.

The company, which moved its operations from Milwaukee only in 1984, told its 600 employees that its Floride operation will cease in 1988. It said allige demand for its products falling demand for its products
—chiefly high-voltage motors and hydrogenerators—and fierce overseas competition were the

International finance

Tax and banking laws an asset

THE RAPID development of Midland Royal Bank of Canada, ing to Mr Nigel Simpson, head Miami as an international finan-Deutsch Sudamerikanische, and of Llyods Bank's office there. Miami as an international finan-cial centre is rooted in the city's close trading and cultural links with Latin America.

Miami is now second only to New York in the number of banks doing international business. At the last count, there were 48 foreign banks and 27 Edge Act banks—international subsidiaries of US out-of-state banks—operating there.

Total offshore funds held by the foreign and Edge banks in Miami are estimated at \$15bm, an increase of about 50 per cent in the past two years, according to Mr Denis Nason, head of the

Credit Suisse. Proximity to Latin America.

excellent transport and com-munications links and a large Hispanic community made Miami an obvious place for rich Latin Americans to visit for pleasure or business. As the oil boom of the 1970s took off in countries like Venezuela, investment in Miami It also owes much of its role

as an international financial centre to Florida's advantageous state tax and banking

laws.
The nature of foreign bank Crédit Suisse operation.

Foreign banks incinde the Lloyds, Barclays, Bank of Tokyo, Banque Nationale de Paris, Banca do Brasil, Marine, bank of the latin American debt crisis came to a bead in the early 1980s, accord-

Some banks were forced to pull out but those that remained focused their attention on per-sonal deposit-taking from high net worth customers and on developing a domestic base in the US corporate market. The Lloyds Miami office is the regional base for serving the south-eastern US.

But in the past two years renewed fears of political in-stability and continual devaluations in many Latin American countries heve led to an increase in numbers of companies and

Mr Simpson sees growing American clients who have a wider knowledge of the type of financial services evailable on the market and are seeking e better balance in their port-folios than investment in a single asset like real estate. This trend is increasing com-

petition among banks to intro-duce newer and more eleborate services and to an increase in the numbers of investment bankers setting up offices in Miami.

But Mr Nason sees market individuals seeking to move their assets to safer havens. The same uncertainty has triggered a move by US banks to shift offshore funds held in centres of the advantages of Edge Act like Panama and the Bahamas banking are being lost.



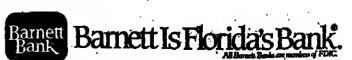
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Transport

Heart of an international trading centre

state has emerged as an international trading centre. At the hub of this network, which includes 134 public airports and

14 deepwater ports, is Miami.
The city's international airport is the second largest in port is the second largest in the US in both passenger and freight traffic after New York's Kennedy airport. Last year it handled 20m passengers, a 2.7 per cent increase on 1934, and 510,000 tons of freight, 0.3 per cent down. Domestic passengers presently outnumber international passengers by about two to one.

two to one. More airlines serve Miami than any other airport. At pre-sent 83 carriers, ebout half of

sent 83 carriers, ebout half of them forelgn, are boused thare. This year the airport opened an international container freight station, designed to boost its share of the container market. The 45,000 sq ft facility, the first of its kind in tha US, is modelled on freighthandling techniques used in London end Paris. It allows containerised shipments to be containerised shipments to be unloaded, split and reassembled on one sita for reshipment. Warebousing space is

The airport has also inaugurated the Miami International Cargo System, a computerised cargo tracking system that automatically logs the flow of all shipments through Miami and enables government inspectors and shippers to process goods faster. It gives instan-taneous retrieval of waybills, manifests and other documents.

The airport, which made a profit of \$35.5m last year, plans to spend \$100m over the next ten years expanding capacity, according to Mr Amaury Zuriarrain airport spokesman. It ex-

FLORIDA's extensive transport pects to be handling up to 40m network has been a major factor passenger and 1.3m tons in the speed with which the of freight annually by the end of the century.

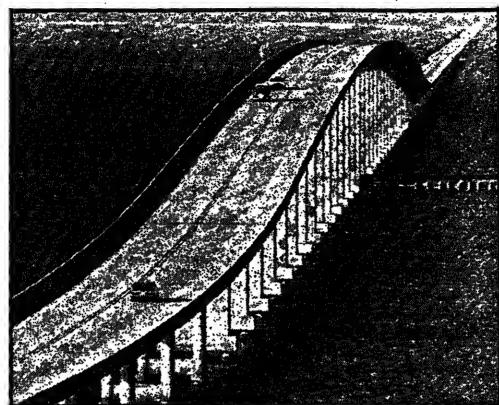
But more important than passenger figures, says Mr Richard Pudy, airport director, is to ensure that the airport's resources are being put to tha best use of the community. It presently employs 72,000 people directly or indirectly and con-tributes over \$6bn to the state's

The port of Miami, already the undisputed cruise capital of the world, is also planning expansion. In addition to three new cruise terminals, the port recently brought into service the fourth in up to eight planned 40 tonne gantry cranes at its growing container facility.

The port handled 2.3m tons of cargo in 1985, nearly 2 per cent up on 1984. Mr Wede Battles, marketing manager says the improvement reflected a "settling down" of the economies of bay Latin American trading of key Latin American trading partners.

He says the part, which made profit of \$17.1m last year, will be looking for an increase of between 4 and 6 per cent in cargo next year. It too will eventually be linked into the

The state's other main airports are also planning expan-sion to cope with an expected increase in passenger traffic. Tampa, voted finest airport in the world by Harper's maga-zine, currently bandles 8m pas-sengers a year. It is served by 26 airlines and recently opened a new facility for international airlines. Mr Larry Grossman of the Tampa Chamber of Commerce, says the airport was built with a 50 per cent expansion espability.



The spectacular Overseas Highway, which links Florida's mainland with Key West via the Florida Keys. Driving time for the 159 miles, after extensive rebuilding work, is now three and a half hours

handles 10m passengers a year. It is served by 24 domestic and four international airlines. Jacksonville Airport bandled

Orlando Airport, which Among the ports, Tampa, receives about half the tourists traditionally a bulk shipper of heading for Disney World, phosphate—Florida produces a handles 10m passengers a year, third of the world's supply and agricultural products, is diversifying into the cruise passenger and container markets. Port Everglades, near Fort Landerdale, is one of the

Florida's largest port, Jack-sonville, is the point of entry into the US of Jepanese cars. It handled 561,000 vehicles last year and bulk exports of steel, lumber and coffee totalling 14m tonnes, eccording to Mr Cliff the port's deputy speed lanes.

About 85,000 workers are employed directly or indirectly by the port and its payroll of \$200m is estimated by the local Chamber of Commerce to generate sales of \$821m.

Jacksonville is also at the bub of three main rail lines Florida bas an extensive rail network served by seven freight routes to the US West Coast and industrial centres in the Northeast and Great Lakes.

There are also ambitious plans for a high-speed rall link between Tamps, Orlando and Miami by 1995. Calls for tender are out and Canadian, Japanese and French companies are understood to be studying the pro-ject. Mr Richard Staziak, of the state transport department, says Florida stands a better chance than most US states of getting a high-speed link built because of the developing commercial activity around the state's rail centres.

Florida's road network is being put under strain by the increasing congestion caused by rapid population and economic growth. About 40 per cent of the highway network has severe bottlenecks, according to Mi

Removing them will be a priority, but even to reduce the problem by half will cost an estimated \$5.3bn. How much of the work gets done depends on whether new revenues are raised, he says.

Extensions of existing major routes is already under way including the extension of an in-terstate highway across the Everglades. The current two-lane toil road "Alligator Alley," will be replaced by four high-

Property

Problems of over-supply

MR ALAN PARKS recalls wist-fully the day two years ago when be counted 27 cranes says: "There's been a lot of silhouetted against the Miami skyline, Today, Mr Parks, vice-president for marketing at the Adler development counts only three.

Florida's office market is experiencing a weakcommon to many other parts of the country and resultstruction two to three years

oversupply is facing all the state's major business centres, although to different degrees. In Miami, the second largest office market in the south-east US after Atlanta, with more than 22.7m sq ft of space in existence and a further 3.2m under construction the vacancy under construction, the vacancy rate is 22.1 per cent—between three and five years' supply.

In the downtown area, centred on Brickell Avenue, the vacancy rate is about 24.8 per cent, compared with e 16.5 per cent national average, according to Coldwell Banker, the real

estate broker. estate broker.

In the Tampa-St Petersburg-Clearwater area on the Guif Coast, the market has expanded rapidly to 19.5m sq feet and the vacancy rate is currently 25.5 per cent. In Oriando, with 12.3m sq feet and an additional 3.2m under construction or langed the vacancy rate is 28.3 planned, the vacancy rate is 28.3 per cent.

Jacksonville, with 9.6m sq ft of space, has the lowest vacancy rate in the state at 16.6 per cent. Coldwell Banker says.

The high vacancy levels have forced developers to offer tenants attractive lease concessions with the result that effective rents are between 20 and 25 per cent below asking prices, according to Mr. Harry Tangaaccording to Mr Harry Tanga-lakis, Coldwell's senior sales

manager in Miami.

But despite the current glut,
Florida's rapid expansion is
leaving developers optimistic
about the future rates of
absorbanic is expected to benefit

Miami is expected to benefit from a pick-up in trade with Latin American nations slowly emerging from debt problems. The city is being "rediscovered" by major investors and com-panies after suffering for years from a serious image problem. Developments are under way to make the downtown area more attractive after office hours. Rouse, the developer of Bos-York's South Street Seaport, is building a \$93m shopping and restaurant complex, known as

Jacksonville is looking to revitalise its downtown area too with a similar project also dewith a similar project also de-signed by Rouse. The \$38m 125,000 sq ft Jacksonville Land-ing will house a "festival mar-ker" of shops end restaurants. Oversupply of office space is not always bad news, particularly in a city like Jacksonville, which is working bard to attract new companies and investment.
"It's a bit of a vicious circle," says Rebecca Kinney, manager of economic development at Jacksonville Chamber of Com-"If you want to attract corporate relocations, you have to have the space available." But the office glut is leading

lopers' attitudes. Mr Tangalakis says: "There's been a lot of speculation. Now you're going to see less. Developers are going to wait for the market to

Mr Larry Grossman, research manager at the Greater Tampa Chamber of Commerce, agrees: They (developers) across the street from another. across the street from another."
Developers are now being
"cautious and selective."
Everybody's "looking for a
window in the market," be says.
This new caution is being
componded by the US tax
reform legislation, which

became law last month. It limits to two the number of residential properties on which mortgage interest relief can be claimed. The new code also The new code also extends sharply the deprecia-tion life over which losses on commercial property can be written off and clamps down on passive losses on syndicated

property. The effects are already being felt. "We are starting to see a lot more people looking to sell their properties," Mr Tangalakis says. "Part of the reason is to take advantage of capital

gains provisions that will not be available next year."

The impact is being felt in the condominium market, already e victim of the sell-out by Latin American investors following the region's deby following the region's debi problems. One real estate agent reported that condominiums were selling at less than their early 1980s price as a result of the number of investors seek-

ing to liquidate their assets.
The effects are being heightened by the surge in apartment building just before the tax re-form Bill.

"About 80 per cent of all new multi-family boilding was for tax reasons, not need," says Mr Brian Smith, public relations director of the Northeast Fiorida Buildera Association in Jecksonville. "People saw the tax bill coming but did not anticipate the clampdown on invest

With real estate no longer being the favoured shelter it once was, some analysts are predicting a shakeout in the office and commercial sector similar to that which hit Flor-ida's market in the mid-1970s.

"Wa are in the process of a major price reedjustment down-wards," says Mr Henry Fish-kind of MG Lewis Econometrics in Winter Park. "A fot of pro-jects with high leverage are going to so bankrupt and some financial institutions could sink under the weight."

But Mr Tangalakis believes that Florida's population and economic growth rate will shield the market. "There's been a lot of speculation, but a lot of it is being absorbed. I definitely do not see any gloom in the forecast," be says.

The one bright spot in the property market is the single-family home sector. Declining interest rates have made it easier for families to afford

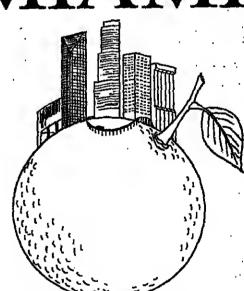
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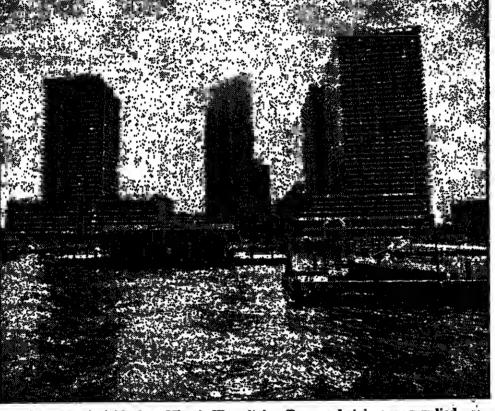


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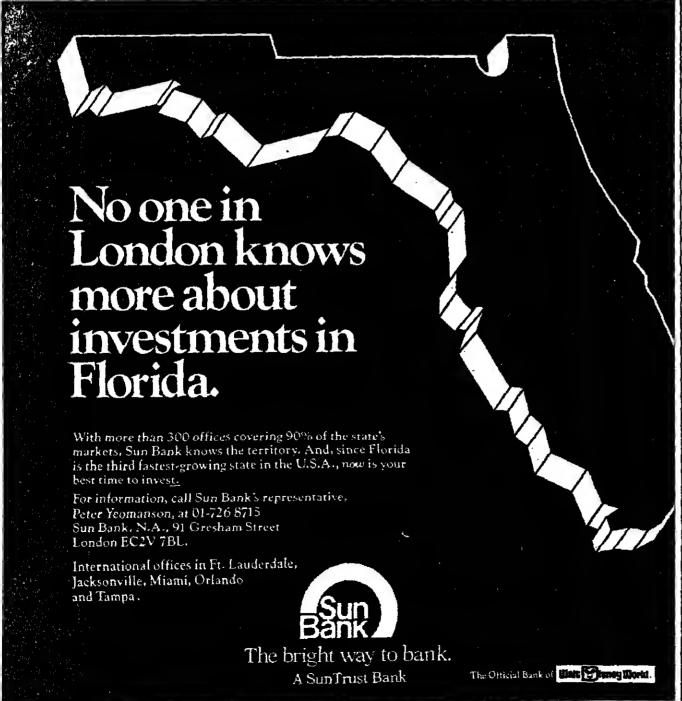


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The Marriott Marina, Miami. The city's office market is over-supplied



FLORIDA 5

Tourism

Plans for more hotel rooms

IF FLORIDA owes its living as a tourist centre to anyone other than the Creator, it must be to two turn-of-the-century railroad barons and the creator of e

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Mindred

veteran cartoon mouse. veteran cartoon mouse.

It was Henry Flagier and Henry Plant, the two hotel and railroad magnates, who were responsible for opening the state's first luxury hotels, Flagier at St Augustine on Florida's east coast on the Culs Plant at Tampa Bay on the Gulf coast in 1891.

Fiagler eventually pushed his railroad all the way south to Key West in 1912, pausing on tha way at Palm Beach to open the historic Breakers Hotel and at Miami.

Botel and at Miami.

But while these two pioneers paved the way for the land boom of the 1920s that began the development of modern Florida, it was Walt Disney and a cast of cartoon thousands, who has prevented Florida becoming just another place in the sun.

About 30m tourists come to Florida each year, according to Rene Welti, assistant director of tourism at the Florida Department of Commerce. They spend about \$200n a year.

All hut 4m are domestic, mostly from the north-eastern US. About 50 per cent of the foreign visitors are Canadians, with roughly 1m Europeans and 1m Latins, Mr Welti said.

Almost half of the total will visit Disney World, a 28,000-acre site 20 miles south-west of Orlando. The theme park is one of the top tourist attractions in the world, receiving some 20m visitors a year.

the world, receiving some zum visitors a year.

Disney World has 17,000 permanent employees. In addition to the original theme park it now boasts the Epcot exhibition and conference centre, nina resort hotels with 5,500 rooms, 1,190 camp sites, 585 villas, convention facilities and a shopping centre.

Current expansion plans call for the establishment by 1988 of the Disney/MGM working television and film studio; e new 900-room hotel and Pleasure Island, e night-time entertain-ment complex featuring six "theme" nightclubs.

In the 15 years since Disney World opened, it claims to have attracted 116m visitors to the Orlando area, spending an estimated \$33bn. gers a J Its presence encouraged the century.

opening of new tourist sites like the Sea World complex and the expansion of existing facilities

such as Gatorland and the Cypress Gerdens.

More importantly, it has sparked an explosion in hotel construction in the Orlando area. From 5.920 rooms in mostly small hotels and motels in 1920 Collects. in 1970, Orlando now has 55,000 coms, Lany in luxury convention centres, and stands third behind New York and Los Angeles in the number of rooms in a single metropolitan area.

Plans are under way to provide a further 28,000 hotel rooms. The pulling power of Disney World encouraged Orlando to launch a major drive to capture a share of the lucrative convention market, Last year, 665,990 delegates ettended 1,776 conventions and spent an estimated \$315m. Passenger traffic at the \$30m

Passenger traffic at the \$30m international airport is running at 10m a year, with 24 domestic and four international airlines flying regular schedules.

Since 1971, Metropolitan Orlando's population has almost doubled to about 900,000, employment has risen from 196,000 in 1970 to 531,900 this year.

Orlando's success in attracting convention visitors has spurred Miami into a similar drive. The city, Florida's second biggest tourist area has

second biggest tourist area, has seen its \$4.5m share of the market threatened by its reputation for drugs and crime, but is now working hard to clean up its image.

Greater Miami draws about 6m tourists a year. Its port claims to be the cruise capital of the world. More than 2.3m passengers sailed from tha port last year and Mr Wade Bettles. last year and Mr Wade Bettles general manager of marketing. says that in the first 11 months of the 1985-86 fiscal year, passenger traffic was up by 9.1 per cent.

The port is home base for 20 vessels operated by eight cruise lines offering a variety of one to 14-day packages mostly in the Caribbean. To meet plans by the crosse lines for six new vessels with a total of 15,000 berths, the port plans three new cruise terminals and is gearing up to handle 4m cruise passengers a year by the end of the



Catamaran sailing off Fiorida's north-west coast

Miami hopes to encourage more of these passengers to stop over longer in the city. Most now fly in on the night before departure and leave the day after the cruise ship docks. A \$93m Bayside complex is being hullt in the downtown area close to the port by the Rouse company, which developed the South Street Seaport in New York.

in New York.

The project will house 180 regions appear to be experishops, restaurants and pavilions and is designed to give an anticipated 15m visitors a year some flavour of Miami's ethnic diversity.

Tampa on the West coast is also hoping to attract more visitors, About 3m a year come to enjoy the white sands of the

Pinellas suncoast and spend np-wards of \$1.6bn, Pinellas county has 20,000 hotel and motel rooms and Hillsborough 12,000. Local officials hope to attract tourists who will stay in the area and take advantage of its beaches, while visiting Disney. World, only ebout an bour and a half along the freeway. Mr Welti says that all Florida's traditional tourist

other end of the state in the so-called Panhandle, the "Red-neck Riviara" which has traditionally drawn visitors from neighbouring southern states is also showing "significant growth," Mr Welti said.

New hotels have opened, including one owned by Marriott in Panama City.

The combination of a weak dollar and persistent fears among Americans of terrorism abroad have meant a lot more Americans are spending their vacations in the US. But the decline of traditional industries is forcing other states to fall back on their natural resources and encourage tourists, leading to hotter competition, Mr Welti

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than they thought. They're not spending hours commuting to work. They're not losing time and money to weather condi-Or strolling on the beach, just thirty minutes from downtown. We have a lot more, too. For your company, your family, yourself. For more informations. They're not losing key people to companies in better climates. They feel good. They tion, contact Arthur (Chick) Sherrer, Committee of 100, Jacksonville Chamber, P. O. smarter, faster. And they go boating after work. Or fishing.

Box 329A, Jacksonville, FL



Force behind city's international role

Xavier Suarez Mayor of Miami

TO WANT to become mayor of a city with as unenviable a recent reputation as that of Miami might seem more than a shade masochistic. But Mr Xavier Suarez, the 37-year-old Cuban American who celebrates his first year in office this week, clearly loves his job.

"This is the end of the rainbow for me," he says, without a trace of frony.

Mr Suarez eagerly leads visitors out on to the water-front terrace of his City Hall Office in the fashionable Cocount Grove suburh, to show off the view.

Ahead, across the deep blue the downtown business district, dominated by a clutch of gleaming skyscrapers; to the left e flotilla of pleasure craft bobs in the palm-fringed marina; to the right stretches the iush, green "island paradise" of Key Biscayne.

"This is one of the most beautiful cities in the world," the Harvard-educated lawyer

Sphere."
The view is certainly beautiful, but "pristine" is probably the last edjective that most would associate with a

But now a noticeable change is under way. Miami is working hard on a city clean up.

A tough police clampdown on street cales of drugs and on soliciting has brought a reduc-tion in rates of most serious crime with the exception of murder. Most serious crime re-

mains drug-related however.
"Wa still have a hit of an image problem," the mayor con-cedes. "But we have maybe learned to sell ourselves better." Visitors to his city now tell him how attractive Miami is, he says. "That was not so a few months ago." Drugs and crime are not now the first subjects to be raised. does not claim credit for

the improvement, which he insists had begun during the final months in office of his predecessor, the charismatic ruerus Rican Mr Maurice Ferre, but it has certainly become more noticeable during his year in

office.

Mr Suarez, whose family emigrated to the US in 1961, does, however, claim credit for bringing the city's Hispanic, black and "Anglo" communities closer together.

His election as the first Critical Party Property 1982.

Cuban-born mayor of the city at the heart of a county in ar the neart of a county in which half the 2m population is Hispanic, has helped accelerate the gradual absorption of the predominant Cuban community predominant Cuban community into the political mainstream. For years the Cubans, most of whom were well-to-do re-fugees from the Castro regime, regarded their stay in Mismi as temporary, pending a swift

Even after the failed USbacked Bay of Pigs invasion of Holding the Ed on what Mr 1961, the vast majority of Ferre once described as e Cubans continued to live a dual "human volcano" while at the life - "immigrant" by day in same time ensuring Miami's well-paid middle-class jobs and continued growth as an inter-"exile" by night, teaching national business and financial

overthrow of communism in

amounts of time and money in fruitless plots to overthrow Despite their self-imposed

political isolation, the Cubans' economic influence spread rapidly, transforming Miami into a Latin city and a natural magnet for trade and investment with Latin America, As a new generation of Cuban-Americans came of age, they sought to match their eco-nomic influence with a greater

degree of control over the gov-ernment of the city.

Non-Hispanic whites, at first resentful of the emerging Latin dominance (voters passed a law in 1980 forbidding the use of any language other than Eng-lish in official business lish in official business) gradually realised that the Hispanics were there to stay and quickly moved to take fc. edvantage of Miami es a b

centre.
Mr Suarez, who had to relear. Spanish when he moved to Miami from Washington is 1975, was at first sceptical c the city's pretensions to a international role. But this stance — which earned him stiff opposition from the busi ness community in the mayoral elections—changed immediately he took office.

beams. "There's no urban setting in the world that has this kind of pristine etmo-with officials at the 42 consumits of the control of the co lates located in Miami has con-vinced him that the city is not just "the gateway to America" or even "the capital of Latin America," but a "crossroads for city that for years simmered America," but a "crossroads for with racial tension and whare "cocaine cowboys" fought running gunbattles in the Despite constantly pressing

this international role for the city, Mr Suarez regards himself as a nuts and bolts man, not a visionary" and a "people's mayor" who spends much of his time on the streets "putting Mami on an even keel, get-ting people to get along with evaryone else, making them believa in Miami."

"Miami is a young city. We have a lot of people trying to work themselves into positions of power and of influence." Mr Suarez says. "I think it is a great opportunity to use that dynamism, whether it be the Chamber of Commerce, the Cuban-American national Foundation or some of the young black antrepreneurs . . "

While he has reached an un-easy working relationship with the business community, Mr Suarez faces a far tougher task in seeking to bring poorer Hispanics and blacks into the economic mainstream.

Youth unemployment among blacks is running at 40-50 per cent, and while this is certainly not untypical of large American cities, the resentment and allenation of Miami's blacks, forced to watch the rapid advance of the Cubans and Anglos creating such visible wealth around them, atili lingers just beneath the surface. The memory of the last time that resentment exploded, in rioting in 1980, is too close for

Miami is a young city that reflects Florida as a whole in its struggle to retain control on its growth, that is American in its business and technology, but Latin in much of its ambience and culture.

their American-born children centre presents Mr Suarez with Spanish and investing large e tough agenda for the future.



Xavier Suarez: end of the rainbow

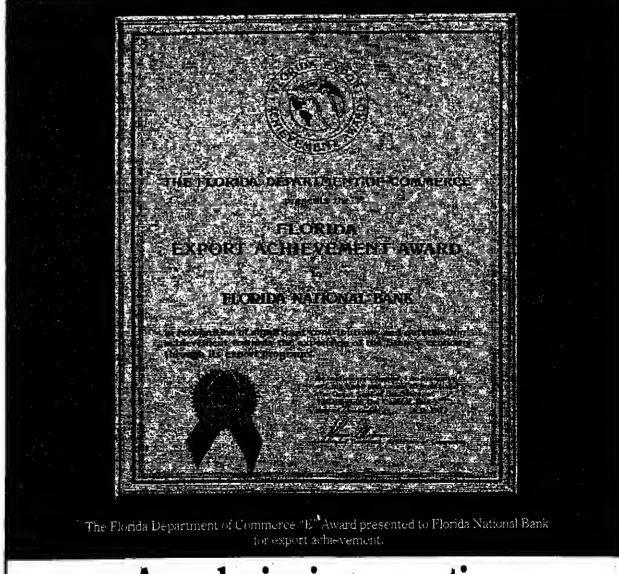
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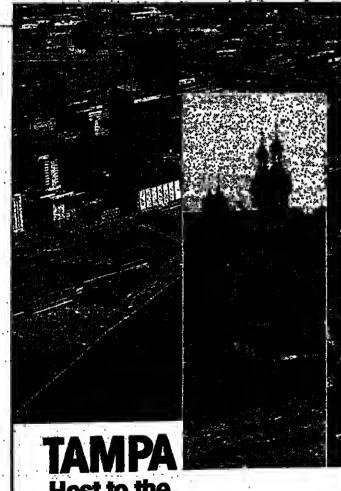
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MANAGEMENT

ALAIN GRILL cuts a curious figure as a high fashioo designer. As head of the shipbuilding division of Alsthom, the besvy engineering group controlled by France's nationalised Compagnic Generale d'Electricite (CGE), be has far more of the world-weary bear-ings of a man used to working in a tough and troubled industrial environment. But he nonetheless likes to compare himself to haute conture. "What I'm trying to do is to become the grand countrier of the luxury cruise ship business. I want to be able to sell them for e little more than if they came off the shelf."

than if they came off the shelf."

Since taking over at the belm of Alsthom's shipbuilding division four years ago. Grill bas sought to specialise the group's Chantiers de l'Atlantique yards at Saint Nazaire, Brittany, in the construction of Isrge luxury cruise liners. The strategy bas so far paid off, at least in terms of saving Alsthom's shipbuilding activities from financial collapse. Saint Nazaire is now building the world's largest cruise liner, the \$175m "Sovereign of the Seas" for the Norwegian Royal Caribbean Cruise Lines, and recently won a \$150m order for the construc-

Cruise Lines, and recently won
a \$150m order for the construction of a luxury cruise ship
from the Los Angeles-based
Sitmar lines.

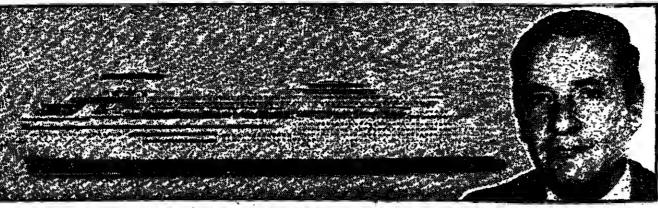
However, the French company has just been direly disappointed by Sitmar's decision
not to go ahead with a second
order for another similar \$150m

region liner Sitmar had origincruise liner. Sitmar had originally indicated it wanted two ships; it ordered one firmly and reserved confirmation for the second by the end of this year. Today Saint Nazaire is the only viable major civil shipyard in France and is likely to become the last remaining important civil yard in the country, as distinct from the naval dock-yards where all construction for the French navy is concen-

the decision last summer of the French conserva-tive government to stop supporting the private Normed ship-building group, Alsthom's rival has been forced to file for bank-ruptcy. Moreover, there seems vinced that the cruise business, little if any chance of survival for Normed's three troubled yards at Dunkirk in the north and La Seyne and La Ciotat on

the Mediterranean.

Alsthom itself bas not escaped the crisis. It has just announced plans to close its Dubigeon yards open Nantes and regroup its entire ship-building activities at Saint Nazaire 40 miles away. This, with the probable closures or recoversions of the Normed yards coupled with the Dubigeon shutdown, will leave Saint Nazaire as the only big civil yard. Dubigeon yards oear Nantes



Why Alsthom sees a future in haute couture shipbuilding

Paul Betts explains the French group's specialist strategy in a shrinking market

four years ago I did not think. four years ago I did not think, like the Japanese did in 1983, that there would be a quick recovery in the shipbuilding industry. I always believed it would long remain in crisis," says Grill, explaining that his priority was to look for "safety market niches" to ensure the survival and viability of Saint Nazaire. A former managing director of the Chargeurs ing director of the Chargeurs Reunis shipping company with wide experience of the shipping business, Grill says that be wanted to find a sector in which Alsthom could be different from the competition and, more important, where the Japanese and Koreans were weak.
"The cruise liner business is one of the rare areas in which the Japanese and Koreans have not yet taken a foothold."

With his previous experience a cruise line, Grill became con-vinced that the cruise business, especially in the US market, had good development potential and that big cruise operators would seek to renew their fleets, Grill thus recruited oew managers and specialists to de-velop Alsthom's cruise ship construction business to turn it into the leading European com-

rd. The French system of sub- has clearly cut into our profit "When I came to Alsthom sidies is now being reviewed margins." Grill says.

by the government. Indeed Grill says that the level of state aid - equivalent to about a quarter of the value of a new ship order—should, if anything, be kept up, if not increased, especially in view of the fact that the French franc, which stood at around FFr 9 to the dollar under the previous regime, has since appreciated to around FFr 6.50 to the dollar. Grill adds that Alsthom's competitors all benefit from one form or other of state sup-

port. The French yards, for example, do not enjoy a steady level of oavy orders like those in West Germany because all naval construction is done by France's military dockyards. Moreover, in the specialised large cruise liner sector, the Japanese and Koreaus, also suced in undermining the market for European groups. Although they have yet to win an important order in this area, the Koreans and the Japanese inevitably enter the bidding for

new cruise ship orders, Detailed study of the US cruise market persuaded Grill and his team that cruise operators were increasingly moving towards new large hurry vessels to offer more competi-tive cabin prices and attract a of so-called "catalogue ships," broader range of customers offering a range of petroleum who were able to pay \$150 a product tankers, built on designday but oot \$300 a day. "We to-cost techniques. In Grill's were also lucky. The collapse fashion trade jargon, the of the dollar boosted the US catalogue business is Alsthom's

Although Chantiers l'Atlantique bas a long and venerable history of building transatlantic liners including the "France" and the "Normandie"—Grill explains that the new luxury cruise ships are a different concept. With a capacity for 2,600 passengers, the Sovereign of the Seas can bost more passengers than the France, although the transatlantic liner is longer and wider. But the Oew gooera-tion cruise ships are taller with extensive outdoor facilities on

the top decks. They are also slower but with far lower fuel But the specialisation in cruise ships has also forced Grill to look for other more traditional activities to occupy the workforce of Saint Nazaire. Cruise ships inevitably require far more interior decorating and other design work than conventional vessels. "There is a limit to the multifunction nature of a yard. You can't transform all your welders into carpenters or electricians and I oeeded to find ships rich in

steel work to keep my people busy between cruise liners," explains Grill. He has thus launched e- line

de altogether encouraging for Aisthom. Grill acknowledges that the Koreans are now winning all the orders. However, he believes there will eventually be opportunities for Alst-holm in this sector with the growing need to renew obsolete

> Grill is also edopting a patient approach to another area into which he has moved Alathom's shipbuilding business. He has been pushing the Chantiers de l'Atlantique into the offshore business, including the construction of semi-submersible multipurpose rigs, jack-up rigs, derrick lay barges, floating production and storage vessels. ficating liquified natural gas plants and other

floating structures. Though these efforts have not yet resulted in any big construction orders being won, Alsthom is working on a number of important research contracts in the offsbore sector.
The group expects offsbore exploration and development to pick up evectually, offeriog, in the longer-term, opportunities for Saint Nazaire to develop and transfer its new offsbore technologies.
Grill has also sought to

diversify the yard's activities into other totally oew areas. This brought Alsthom into the to-cost techniques. In Grill's recent competition to build the fashion trade jargon, the fixed link across the Channel catalogue business is Alsthom's The Freoch group joined the "off the shelt" or "pret-a Euroroute consortium whose were also lucky. The collapse fashion trade jargon, the fixed link across the Channel. stant preoccupations to give our of the dollar boosted the US catalogue business is Alsthom's The French group joined the yards a good and distinctive cruise business in the Caribbean and Alaska although it porter section of its activities. road and rail scheme involving a terrible image in e business which has clearly cut into our profit margins." Grill says.

Immediate prospects for the a combination of bridges and thanks to the problems of the product tanker business are not tunnels linked mid-channel by Normed group," says Grill.

artificial islands was rejected in favour of the Channel Tunnel Group's rival proposal to build a twin-bore rail tunnel using special rail shuttles. "It was a flop," Grill admits caodidly, but he still thinks it was a "historic error" to have chosen the twin-bore rail tunnel solutioo.

However, the Euroroute experience, though disappointing, had some positive spin-offs for Grill. "We learnt several things about metallic bridge construction and tunnels. We are now interested in this business and probably wouldn't have been if we had not doos the preparatory work on Euro-route," he says. Of all the new efforts under-

taken by Grill to enable the Alsthom shipbuilding division to survive as a viable business, the main dividends so far have come from bis move in the luxury cruise liner business coupled with strenuous cost cuting and rationalisation et Alsthom'a yards.

Alsthom's yards.

Production costs have been cut back by about 30 per cent, and the workforce at Saint Nazaire by an equivalent percentage in the last two years to a current level of 4,500 people.

This has been achieved This has been achieved against a difficult background of labour relations in the French shipbuilding industry. "We were hit with three mooths of labour unrest at Dubigeon at Nantes because I decided to regroup the research and design centres 40 miles away at Saint Nazaire," says

Alstholm is now planning to shut down altogether the Dubigeon yards which it absorbed in 1983 as part of a reorganisation of the French shipbuilding industry by the former Socialist administration. Dubigeon, which specialised in the construction of military surface vessels and submarines for the export market, has con-tinued to lose money.

During the past teo years, Dubigeon has seen its work-force decline from 2,700 people to 730 people today, and should be down to 590 by the end of the year. Alsthom now wants to regroup all its shipbuilding activities at Saint Nazaire.

But if Alsthom is likely to face some turbulent mooths shead with its proposed re-grouping of shipbuilding et Saint Nazaire, its success in winning major cruise ship orders has given a significant boost to the company's ship-building image.

"It's been one of my con-

Hornby

IT WAS stated in last Wed nesday's article on Hornby, the toy manufacturer, that a receiver was called in a little more than a year after the company had been bought out by its management from its former parent company, Dunbee Comber-Marx, which had gone into liquidation in 1980. It was also stated that, at the same time, the original buy-out backers arranged a £18m rescue package. Neither of these points is correct. Hornby did not go into receivership after the buyout and, although it incurred loss in the first year after the buy-out, it subsequently returned to profit and has remained profitable since then. Its backers have sup-

Management abstracts

Competitive advantage through organizational culture. J. R. Barney in The Academy of Management Review (US). July 1986 (10 pages)
Contends that a company's culture cr. 2 source of sustainable competitive advantage if it is valuable, rure, and difficult to imitate (quoting IBM and Hewlett-Packard, among others, as examples). Examines others, as examples). Examines relationships between organisa-tional culture and financial performance, and sees the most successful performers posses-sing cultures that enable them sing cultures that enable them to perform and behave in ways which add economic value. Argues that companies without such cultures cannot expect to

such cultures cannot expect to generate superior performance by changing them to incorporate valuable attributes.
Infinite and finite capacity planning. D. Crabtree in BPICS Control (UK). June/July 1986 (24 pages)
Compares and contrasts infinite (no initial account is taken of plant capacity) with finite loading (where it is); shows that the requirement to plan capacity arises at various stages in the scheduling timescale; contends that it makes no sense to talk of finite or infinite sense to talk of finite or infinite loading because the loading technique is qualified by the stage of processing to which it is applied. Argues that a system employing finite loading at the master schedule and materials planning stages can never form a permanent basis for a wild manufacturing resource planning system.

Prospective reporting for small husinesses. M. C. Stilwell in Journal of Accountancy (US), May 1986 (8 pages)
Summarises a guide for US accountants advising small businesses on financial forecasts; spirit. es the desirable characteristics of engagement and re-presentation letters; covers pro-cedures, presentation, and dis-closures checklists, uses of soft-

ported it all along, but have never been called upon to refinance Hornby. We apole-gise for these errors. this activity becoming a signifi-cant practice expansion area. Receivers—double agents or surregate liquidators? I. Ben-

veniste in Accounting and Business Research (UK), Summer 1986 (51 pages) Argues that it might be beneficial to change the status of a percentage of debts due to imsecured creditors by making them preferential; considers that would improve a receiver's performance; suggests that if banks are given greater finan-cial incentives to munitor the receiver's performance, strate-gies might be chosen that maxigles might be chosen that maximise asset realisation, and re-ceivers with particular skills would eventually be appointed to the right situations.

Computer abuse and how to prevent it. L. Mercer in The Accountant's Magazine (Scotland), July 1986 and Angus 1986 (61 nages)

1986 (61 pages) Two linked articles: (1) exa mines various types of computer abuse and looks st what is required of computer security;
(2) gives a structure for developing and implementing a security policy

Preserving entrepreneurable as companies grow. H. H. Stev-enson and J. C. Jarrillo-Mossi in The Journal of Busi-

ness Strategy (US), Summer 1986 (14 pages) Reveals the danger of an en-trepreneur's organisation becoming a bureaucracy which preserves the status quo for the entrepreneur and demes other management opportunities for creativity, and decision-making; considers factors that should be built into organisational life in order to perpetuate entrepre-ceurial success, e.g., making individuals responsible for broad-ly-defined objectives, making them believe they can succeed; presents six questions to be asked when making day-to-day decisions; claims they will help to preserve the entrepreneuria

These shetri Anhar Management Publication closures checklists, uses of software templates and sources of
information—all to a view of wanter HAP BOJ.

Company Notices

بمرانة كالزحم الزمع

دارالمال الاسلامي القابضة

DAR AL-MAAL AL-ISLAMI TRUST **Notice of Annual General Meeting**

NOTICE IS HEREBY GIVEN to bearers and owners of Equity Participation Certificates of DAR AL-MAAL AL-ISLAMI TRUST, that the Fifth Annual General Meeting of the above Trust will take place at Hotel Continental in Sharjah, U.A.E., on 10 Rabla Al Thani 1407 AH corresponding to 11 December 1986 at 10 o'clock for the purpose of considering the matters in the following Agenda:

To receive the Chairman's statement and the Report of the Board of Supervisors.

To receive the Report of the Religious Board. To receive the consolidated audited Financial Statements of Dar Al-Maal Al-Islami Trust for the financial year ended June 30th, 1986 and the Report of

the Auditors thereon. To elect the Auditors for the next fiscal year. To re-elect the outgoing members of the Board of Supervisors or to elect any replacement members and to ratify the remuneration of the members of the Board of

To declare distribution of dividends on the result of the financial year 1985/86.

Mist Mohamed Al Faisal Al Saud

Chairman of the Board of Supervisors

1. In accordance with article VIII, paragraph 5 of the Indenture of Trust, only Muslim individuals or legal entities controlled by Muslim individuals or Governments shall be entitled to exercise voting rights as bearers or owners of Equity Participation Certificates and the Board of Supervisors shall have the power to require an attestation of such from each person voting at the Annual General Meeting as a bearer or owner of Equity Participation Certificates or granting or exercising a proxy for such a bearer or owner. In the event that the Board of Supervisors has reasonable cause to believe that any such attestation is false, the Board

furnish reasonable proof. 2. Display of an Equity Participation Certificate at the Annual General Meeting or of a signed attestation from a bank or one of the offices of any entities within Dar Al-Maal Al-Islami Trust Group centifying that the bearer's or owner's Certificates are all held in safe custody with the bank or such DMI office shall entitle the bearer or the owner thereof to a number of votes equal to the number of Participations represented by each Certificate.

of Supervisors may require such bearer or owner, or proxy to

A bearer or an owner entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy, by way of proxy form with the under-mentioned text, to attend and vote on his behalf, but a bearer or an owner appointing a proxy must hand to the proxy temporarily all his Equity Participation Certificates or, in their stead, the abovementioned attestation from a bank or office together with the proxy form so that the proxy may present the Certificates or the attestations and the form at the Annual General Meeting. A proxy who does not present both such Certificates or the said attestation and the proxy form will not be entitled to vote.

3. Subscribers to the Private and Rights Issues in the Second issue of DMI Equity Participations will have the right to attend and vote, according to the relevant provisions of the Indenture, in this Annual General Meeting of bearers and owners of DMI Trust Equity Participations. Subscribers who have not yet collected their certificates are kindly requested to call at the offices through which subscriptions for the first and second issues were conducted in order to receive their certificates and be able to attend the meeting.

KNOW ALL MEN BY THESE PRESENTS that I my capacity as a Muslim bearer (owner) of Equity Participation Certificates representing Equity Participations in Dar Al-Maal Al-Islami Trust and as such entitled to votes. HEREBY APPOINT to be my proxy to attend and vote on my behalf at the Amual General Meeting of Dar Al-Maal Al-Islami Trust to be held at Hotel Continental in Sharjah, U.A.E. on December 11, 1986 and at any adjournment thereof. For such purpose, I will hand temporarily all the afore mentioned Equity Participation Certificates to my above appointed proxy together with this signed form, but with the sole objective that he or she may present them at the said Annual General Meeting on my behalf and the said proxy will sign a copy of this form as proof of receipt from me of the said Certificates and shall have the legal and moral obligation, sanctionable by legal action in the event of default, to return intact to me all the said Certificates after the Annual General Meeting shall have taken place.

signature of bearer (or owner)

Owners and Holders of Equity Participation Certificates wishing to attend the AGM are kindly urged to contact any of the offices indicated below in order to facilitate the registration procedure on the day of the meeting

For further information please contact: **DMI Trust Administrator** Islamic Investment Company (IIC) Der Al-Mali Al-Islami SA 84 av. Louis-Casaï 10 St James's Street SWIA IEF London, P.O. Box 161 UNITED KINGDOM 1261 Cointrin/Geneva, SWITZERLAND Phone: 01 9302495 Telex: 893578 islami G

· Natural Faysal Al-Islami (Bank & Trust) Bahamas Ltd Nortolk House - 3rd floor Nassau - Bahami Phone: 809 3221461 Telex: 20274 massral

Telex: 28391 sharch

AMERICAN PETROLEUM PRODUCTION N.V.

NOTICE TO SHAREHOLDERS

Distribution of \$10 per share (by way of capital repayment) was approved by shareholders at the annual general meeting held on 3rd November, 1986 and is payable on 26th November, 1986. Payment on registered shares will be made in dollars to or to the order of the holders on record on 14th November, 1986. Payment on Bearer Shares will be made in dollars by cheque or by transfer to an account maintained by the payee with a bank in New York City against presentation of Coupon No. 16 at the offices of Schroder Investment Management Limited, Coupon Department, 36 Old Jewry, London EC2R 8BS or J. Henry Schroder Bank & Trust Company, 1 State Street, New York 10015 or Banque Generale du Luxembourg S.A., 14 Rue Aldringen, Luxembourg. 4th November, 1986.

THE RIO TINTO-ZING CORPORATION PLC NOTICE To holders of Warrants to Bearer SHARES OF 21 EACH NOTICE IS MEREBY GIVEN time a dividend of 1.75p per Shate will be paid on the and Jenuary, 1957 in respect of the half-year writing 31ss December, 1985. Payment of this dividend will be made after processtation of Coupon No. 49 at any of the authoritioned offices of payment.

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Ecupars which must be listed on special forms, which say be obtained on or other Monday, 17th November, 1996 at any of the share offices, may be deposited on or other Monday, 24th November, 1995, Goupane presented for payment in the United Kingdom must be left FIVE CLEAR DAYS for sustripation. Shereholders should note that under the Company's Articles of Association wislow is made for the fortisture of the above dividends if not claimed within 12 years at the date of decembers.

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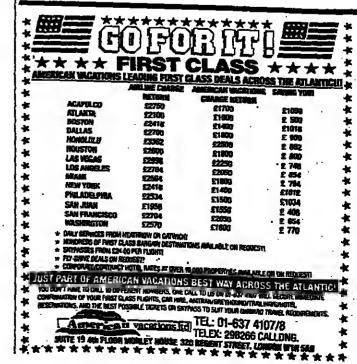
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Holidays and Travel



Architecture/Colin Amery

Sane proposals for Spitalfields

Property developers in the 1960s and 1970s were all thought to be in communion with the devil. They received blanket condemnetion for the destruction of our cities, for the rape and pillage of historic areas and for the laying waste of far too many green fields. of far too many green fields.

Much of the criticism was justifield although it was never
entirely fair to lay all the
blame at the developers' feet.

Planners were (and are) far from perfect and architects seldom angels. In the 1980s there is a distinct feeling of redemption in the air. Developers, not all of them but some of the most important, have discovered good architecture and that it makes just as much money as bad. Indeed one developer, Mr Stuart Lipton, is making his reputation by encouraging good huildings that are also commercial.

One of his present pre-occupations is the redevelop-ment of the site occupied by Spitalfields Market. With his partners in Spitalifields Market. With his partners in the development company Rosehaugh Stanhope plc, he has taken the imaginative step of commissioning a masterplan from the outspoken and provocative architect and teacher, Mr Leon Krier.

This bold step is clearly the right one. Spitalfields, on the Eastern boundary of the City of London, just about retains the bones of an older street pattern and It bas not yet succumbed to the imposition of modern mege-structures beyond modern mege-structures beyond a few standard developers office blocks on the fringes. There has been e large enough influx of middle class house owners to repair the surviving excellent early 18th century houses,

74-11

AT LITABLE

There is the amazing Christ Church by Hawksmoor cur-rently undergoing a lengthy restoration. There are three conservation areas that have ensured a mixture of uses and activities in the whole district. The local authority, the London Borough of Tower Hamlets, has produced planning guide-



A sketch of the view along Elder Street towards the proposed Huguenot Museum

City of London to expand with chequer board of alternetive city of London to expand with acres of offices.

Leon Krier'e proposals are ambitious. He cails the area of the market, Spitalfields West and sees it as, "an organic urban whole, forming a small urban whole, forming a small "city within a city" integrating old and new in a harmonious composition rivalling Covent Garden and Mayfair." He proposes a distribution of uses that is 45 squeres and vistas and so enhouses.

Chequer board of alternetive uses. What has so often ruined our cities has been the developers' tandency to gobble up lots of small lumps of the city and after chewing them for a bit spit them out as one indigestible lump—usually a concrete bolus of offices.

Leon Krier advocates the provision of significant public buildings, to be placed on squeres and vistas and so enhouses.

ing Hall and a large hotel are the other major public edifices. Housing is provided either in terraces with gardens or apartments around large garden courtyards.

The actual street plan is a dense one and provides the kind of mixture of lanes, streets, squares and courtyards we so much admire in older we so much admire in older towns. How curious it is that it has been so difficult to build the sort of towns that are so obviously attractive and agreeable to be in. Look at Docklands or the Barbican or the new wave of suburban sprawl, or the new monster given. or the new monster given planning permission on London Wall last week—the lessons are

constant values,
Neither Leon Krier nor
Stuart Lipton are gentlemen to
be ignored. Krier has just
bean put in charge of a major
research institute with e Stan budget in the United States.
Stuart Lipton is about to redevelop the Paternoster site to
the north of St Paul's cathedral the north of St Paul's cathedral

--- a rere chance to remove the
eyesores of the 1960s.

While Spitalfields could well
become an important testing
ground for e civilised urban
reneissance, Mr Krier still
needs some erchitectural flesh
on his intellectual dry bones.
But as a plan and an approach
it arrives like a touch of clear
sanity and risorous common sanity and rigorous con

Borough of Tower Hamlets, houses.

Instead of concentrating all only commemorates the two partners. I, for one, that Spitalfields is not to be different aizes, distributed seen as a netural place for the throughout the project in a seem to the townscape. A sense. A large townscape. A sense.

The Infernal Machine/Lyric, Hammersmith

Martin Hoyle

Erie Bentley referred to the up Coward character, all bale-"awful vacuity" of the later ful oeillodes, aghast double works, but Jean Cocteau's re-takes and vocal cadenzas whose works, but Jean Cocteau's revamping of the Oedipus myth lift and droop can turn one is eccounted among his finest. The author's passion for chic novelty prompted a mixed reception in Louis Jouvet's 1934 production with Jean-Pierre Aumont (later Jean Marais, the same from Shaffer's who would find fame in such Private Ear and Zeffirelit's Cocteau films as La Belle et la Much Ado onwards. One bette), but a revival in the charitable assumes these Smith bête), but a revival in the Fifties went smoothly—naturally enough in a decade of desperately firmsy artiness modishly recycled from stale resources (we had Christopher for any large of the Faction) of Fry and the Festival of Britain).

Act Three, the most pro-tracted and anti-climactic bridal-chamber scene since Lohengrin, finds Miss Smith suitably muted and withdrawn. Nevertheless, in the face of this To retell a story that everyone knows requires something
new in the way of slant or
style. Cocteau gives us hattlement ghost-watchers in a
Howlet pastiche followed by
houleward comedy and a dark Wall last week—the lessons are obvious.

Leon Krier has yet to build anything. He believes in traditional construction. He prefers his own brand of calm, stripped-down classicism. For Spitalfields be proposes a range of architects who have all built in the conservative classical way; Robert Adam (the second). Abdel el Wakil, Demetri Porphyrios, John Simpson, Quinlan Terry and Jaquelin Robertson. If this urban paradigm is to be built it will be the one thing that resembles e return to the old values. These are, of course, constant values.

New in the way was style to build ment ghost-watchers in a suitably muted and watchers between battle ment ghost-watchers in a suitably muted and watchers between battle ment ghost-watchers in a suitably muted and watchers between battle ment ghost-watchers in a suitably muted and watchers by the followed by houlevard comedy and a dash interest centres less on the rest of the dwarfed cast than on Bruno Santini's striking set. An almost vertical staircase is cut through terraced marble, as if in some steep pyramid. If the long-robed Jocasta and bobbling Tirestas (Robert Eddison) survive the run without injury in their nightly scramble down the slope it will be a marvel, if only marginally a blessing.

Timedled branches evoking a west find that of the doomed hero who (to use the grammatically turn the walls into a glittering cayaller words that Simon Callow's translation gives him)

Neither Leon Krier nor words that Simon cayaller words that Simon the walls into a glittering with the constant values.

Neither Leon Krier nor words that I should not have the constant values with an interest centres less on the rest of the dwarfed cast than on Bruno Santini's striking set. An almost vertical staircase is cut through terraced marble, as if in some steep pyramid. If the long-robed Jocasta and bobbling Tirestas (Robert Eddison) survive the run without injury in their nightly scramble down the slope in the dwarfed cast than on Bruno Santini's striking set. An almost vertical staircase

Jocasta. As not infrequently, when faced with writing or directing unable to keep ber in check, Miss Smith opts for e revue turn and the bell with it. For from displaying "that international eccent of royalties" (Cocteau), this Jocasta emerges as e camped-

charitably assumes Miss Smith resorts to inappropriate clowing in moments of un-certainty, or possibly mitiny. At any rate, she tilts the play's balance precariously towards the overarch.

Callow's translation gives him)

"killed ba I should not have killed and married she I should not have married."

The play's chief contribution to the legend is to diminish it. In this Mr Callow's production is abetted by Maggie Smith's Jocasta. As not infrequently, when faced with writing or directing unable to keep her in check, Miss Smith opts for e revue turn and the bell with it. Fer from displaying "that international eccent of royalties" (Cocteau), this Cocteau took part in the original. Here we have Neil austerely-set climax.

Despite fractured Cunningham got up like the anthor in evening dress, com-



sexual priestly ancient is melliflous and wry. Both the dog-headed Anubis and the schoolgirlish Sphinx are stilted, though ber sudden green bat-wings (luminous blue mem-branes) add to the panto mood.

sounds Lambert Wilson makes peting with loudspeakers that e promising Oedipus in his mix- pop up like periscopes, or loomture of the tough and tha ing sibiliantly through tha romantic. Mr Eddison's transmarble as an over-enunciating ing sibilizative through the marble as an over-enunciating ghost. Jim Carter, doubling as Creon and a Sergeant, provides a welcome note of no-nonsense, down to earth authoritative playing. The translation mixes tha odd Americanism ("cathouse") with the even odder Anglicism: though I expect senties who call one another "my old darling" are well within old darling" are well within the Cocteau tradition.

Macbeth/Royal Lyceum, Edinburgh

Michael Coveney

It is not Prunella Scales's

With the RSC about to launch the Jonathan Pryce Macheth at Stratford-upon-Avon—It was breve of the Edinburgh Lyceum to unveil its own revival et the weekend. In the event, Jules Wright's production promises more than it delivers, but there is a splendid monumental burnished box setting by Colin MacNeil and a persistent spooky soundtrack by Hona Sekacz full of cries, coos, waiis, pipes and all manner of audible proof that the night was indeed rough when all the chimneys most vocally over-endowed of the launch the Jonathan Pryce With its gusting leaves and swiring mists, the foulness and first the Captain and then the Captain and the Captain and the Captain and the captain and the similarly waterlogged, in spite of some sculpted staging effects of those classy stage storms in which a chandeller, morose clieters to the floor obliterating the witches' incantation descends ebove a table where the vision of Banquo is as halts out emotional susceptibilities the minute he's killed that dagger. The upstage wall of achievement with the sword.

David Fielder is not tha wood doth come to Dunisane.

Tough when all the chimneys most vocally over-endowed of the company to the scores at the production'e somewhat notable double here, rendering cold (and damp) hieretic first the Captain and then the Captain and the captain and sterile groups of soilioquy in half profile to the similarly waterlogged, in spite of some sculpted staging effects of some sculpted staging effects of soilioquy in half profile to the similarly waterlogged, in spite of some sculpted staging effects of soilioquy in half profile to the similarly waterlogged, in spite of some sculpted staging effects of the banquet scane is soilioquy in half profile to the captain and selevers to the floor obliteration of some sculpted staging effects of the vision of a series of not very sorcerous reflecting mirrors, the Macduff

> This is a chilling and grandiose reading, very well considered, but lacking a final knock-ont punch. Barrie Rutter's fine and angry Macdust stabs his solversary to death grue-somely and savagely.

The lighting designer, Rick in rasping spots that pinion the sotors to the walls, helping Macbeth's borror rating no end but causing the much warmer personality of Julie Covington's Lady Macbeth e few problems. One feels Covington would like to scale the whole thing down, and she finally succeeds in the sleepwalking scene, plangently delivered by candlelight in a crouching position. Her voice is a pure and musical instru-

Outside of the principals and Outside of the principals and
Macduff, not much thought has
gone into the other characters,
John Bett offering an indecipherably amieble Banquo,
Christopher Bowen e sensibly
righteous Malcolm, and Paul
Boyle an Irish conflation of

BBC Symphony/Festival Hall

David Murray

The best part of Friday's lesser parts and six West-BBC concert was Mahler's Das minster Cathedral boys to speak RBC concert was Mahler's Das klagende Lied, and that was first-rate. Early plece though it is, every her is ecat-Mahler, and the form, in which the grint folk-tale is told is herocially four-moif, original and resonant. Since a flurry of revivals around the time when its suppressed fast part, "Waldmarchen," was rediscovered, Das klagende Lied has become the large suppressed fast part, and the large suppressed fast part, "Waldmarchen," was rediscovered, Das klagende Lied has become the large suppressed fast part, and that was for the murdered brother. The Chorus (trained by Gareth Morrell) outside themselves: instantly responsive at entries, impeccably pitched, vital and exciting.

Miss Bryn-Julson addressed because of the large suppressed to the large suppressed t been neglected in favour of the mature symphonies—which is understandable: and yet it has all the virtues of tha Fahrenden Gesellen songs except concision, and one misses it. It was a double pleasure to have Lothar Zagrosek not merely reviving it, but conducting a performance of such incisive character and fresh

Zagrosek judged to a nicety the degree to which the robust tunes and ominous shadders of Klogende Lied can (and should, with hindsight) be edged to-ward parody, without losing the serious feeling behind them. serious reeming bennich them.
The BBC Symphony delivered
the score with quite unusual
fiair and snap, and the offstage
bursts of rancous wedding
skirling were spot-on, no less
than the mournful sale winds than the mournful solo winds in the foreground. A sterling team of principal singers com-prised not only Linda Finnie, whose opulent Wagnerian mezzo was ideal for the main narra-tive, but Phyllis Bryn-Julson and Siegfried Jerusalem in the

play (1983) with equal loyalty, but even with the composer himself on hand to manipulate the electronics—live processing as well as taped componentsit made a diffuse, unpersuasive whole. Inspired by Strindberg's theetrical fantasy, three of its five movements set bleeding chunks of text (we beard it in English), the first an embarrass-ing spoken dialogue over coning spoken dialogue over conventional "cvocative" sounds. There was more of moderate musical interest in the rest, with some passages of cultivated neo-romantic imagination, chiefly in Höller's Mahlerian (and riskily-titled) "Meditation and Ostinato on the Return of Eternal Monotony"; but e piece nearly a balf-hour long needs a much higher musico-dramatic

The concert began with Webern's Six Pieces op. 6 in the first version for huge orchestra. Zagrosek treated them scrupulously, but they would have been better later: neither audience nor orchestra was quite ready for the acute, committed listening they re-

Kitezh/Radio 3

sense

Ronald Crichton

last but one of his many operas, battle, part of the Russian season. Edward Downes, an experienced hand at Russian opera, conducted the BBC Northern Singers and Philbarmonic Orchestra. Chris de Souza and Clive Bennett were the producers. Those who want more closing scenes, where Korsakov by masses. concert hall than opera bouse. Largely but perhaps not only because of the decision to sing in Russian, gratitude must be tempered with some disen-

The full title, The Legend of the Invisible City of Kitezh and the Maiden Fevroniya, gives some Idea of the content. Fevroniya, who loves all living things and finds god everywhere, is discovered by Prince Veryelod son of the ruler of Vsevelod, son of the ruler of the great and beautiful city of Kitezh, while be is bunting in the forest. Although she is presumably anti-bloodsports she agrees to marry him. The wedding in a nearby villege is broken up by invading Tertars

Rimsky · Korsakov's Kitezh, terror. Vsevolod, killed in reappears as was broadcast on Saturday from phantom. The lovers are united, the BBC Manchester Studios as to choral rejoicings, in a state of eternal bliss.

ducers. Those who want more of Rimsky-Korsakov'a operas must be grateful for the chance of bearing e work much where tiny shifts of harmony wake a difference. or colour make a difference. Given in Russian and explained only by a brief commentary the genre and battle episodes, on the other hand, sound tediously limp. And here Downes, sure of touch as ever in the best pages, appeared to have e smaller store of vitality to draw on than usual.

Kathryn Harries sang the long Rathryn Harries sang the long lies in wait for self-indulgent British Chekhov; but a lively, almost abrasive, energy in some

Kathryn Harries sang the long role of Fevroniya with complete role of Fevroniya with complete absorption and an impressive supply of liquid, varied tone-colour. Howard Haskin as her prince was suitably knightly and heroic. As the drunken rugue Grishka, Anthony Roden worked heart and soul to show why the saintly Fevroniya twice interceded for the creeture but, for non-Russian speakers, the language barrier was too great.

The Seaguil/Palace, Watford

Martin Hoyle

There is a perceptible Irish undertow to Watford's Chek-hov, understandable, since the director, Patrick Mason, has a ment-for all that. The biggest second-raters whose tragedy lies folt is provided by Irina Brook's in their self-awareness.
Nina. Never has the stage— It is not Princilla. struck ingenue breezed into the

punch on the nose. The successful writer and celebrity emerges as his mirror image in more ways than one. Trigorin with Ingrid Craigle's brisk Masha. She draws onstage cur-tains to reveal more curatins, more ways than one. Trigorin counters the boy's certainties with scepticism, the youngster's faith in himself with a rueful ecknowledgement of inferior achievement. Paul Sbelley evolds the extremes of other

fault thet the shade of Sybil Fawity hovers over her. It is ber feult, however, thet she fails to dispel it entirely. The struck digenue breezed into the assembly with such self-confidence. Poor Konstantin has rushed off mortified, but yon suspect she's glad to see the back of him and get on with the business of making important contacts.

Lorcan Cranitch looks slightly mature for Konya's 25 years but is correspondingly robust and positive. His lunge at the kindly doctor ends with a bear hug, but might equally have heralded a punch on the nose. The succession of the shade of Sybil Fawity hovers over her. It is ber feult, however, thet she fails to dispel it entirely. The most theatrical thing about this Arkadina is ber reconquest of Trigorin, on her knees, on the ground, rolling with him in the leaves. Not one of nature's serpots (the generally undertaged Samantha Eggar sexual ettack in last year's Hammersmith production). sexual ettack in last year's
Hammersmith production),
Miss Scales make ber
triumphant "He's mine!" sound like the brisk conclusion ebout ber maternal history. of an argument over the price of eggs.

Tim Preece makes an almost Dickensian mark as the schoolmaster; Antony Brown's affeble old Sorin is a plus; Denys Hewthorne's dapper doctor ex-plains Poline's hopeless love while remaining a little too soft

is e pure and musical instru-ment but I was not convinced

and Fevroniye ceptured. The language barrier was too great, drunkan Grishka Kuterma leeds the Tartars to the city. Meanwhile Fevroniya bes prayed for a miracle. A golden mist almost everything to their descends on the spires and the spires are spires and the spires are spires and the spires and the spires are spires and the spires and the spires are spires as the spires are spires as the character's spires and the spires are spires as the spi

Arts Guide

SPAIN

Madrid, Lieder concert with soprano

Carmen Bustamante accompanied by Perfecto Garcia Chorvet. Circulo de Bellas Artes, Marques de Casa

Madrid, Teatro Real, Paseo Isabel 11:

Madrid, Teatro Real, Paseo Isabel 11: Sonatas by Beethoven with Daniel Barenhoim. (Mon). (Nov. 8., 12., 25. and 28.); Tue: (Nov. 5., 11., 19., 20. and 23.). Orquesta y Coro Sinfonico de RTVE conducted by Edmon Col-omer. Guridi, Liszt and Beethoven

Astarias, Orquesta Sinfonica de Astarias conducted by Richard Zimmer,

VIENNA

Ensemble Modern der Jungen Deutschen Philharmonie conducted

de Begona (21 02 01).

Stravinsky, Turina, Dvořák. (Wed). Glesia Parroquial in Grado and (Thur) at Teatro Jovellanos, Pasco

Music

Riera 2: (Mon).

Music/Monday. Opera and Ballet/Tuesday. Thesire/ Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Kindhoven, Globe Theatre. Travelling Music Ensemble led by Christian Bor: Schubert, Klughardt, Brahms

May (Wed). (21 33 00).

(928 3191) Royal Philharmonic Orchestra con-ducted by Yuri Temirkanov with Mirlam Fried, violin, Prokofiev,

Nash Ensemble conducted by Lionel Friend with Philippe Davies, finte and Penelope Walmsley-Clarke, sop-rano, Stravinsky, Prokofiev, Tchai-kovsky and others, Queen Elizabeth Hall (Mon). (928 3191).

Carlo Maria Giulini with Philharmo nie Chorus and soloists. Verdi Requiem. Royal Festival Hall (Tue).

Leipzig Gewandhaus Orchestra con-ducted by Kurt Masur Weber, Men-delssohn and Schubert. Royal Fes-tival Hall (Wed).

elson, piano. Rossini, Handel and Rachmaninov. Barbican Hall (Wed).

London Symphony Orchestra conduct-ed by Michael Tilson-Thomas with soloists and Pro Musica Chorus. Stravinsky and Beethoven, Barbi-

Orchestré de Paris conducted by Christoph von Dohnanyi, Philippe Bianconi, piann. Orchestre de Paris Choir conducted by Arthur Oldham: Haydn, Schumann, Ives (Wed, Thur). Salle Pleyel (4561 0630).

Nouvel Orchestre Philharmonique conducted by M. Janowski, Sieg-mund Nimsgern, beritone, Martin, Bruckner (Thur). Radio France, Grand Auditorium (4230 1516).

Gaetane Prouvost, violin, Noel Lee, piano: Brahms, Martinu, Schubert, Smetana, Lee (Thur). Salle Gaveau (4563 2030).

WEST GERMANY

Frankfurt, Alte Oper: Ivo Pogerelich, piano. Scarlatti, Beethoven, Chopin, Scriabin (Mon).

ITALY

Milan: Reggio-Emilia: Tentro Municipale Valli: Maurizio Benini conducts the Bologne Comunale Symphony Orchestra in Haydn's Seven Last Words of Christ on the Cross (Mon).

Bome: Auditorium in Via della Concillexione: Giuseppe Sinopoli conduct-ing, violinist Itzhak Perlman Brahms and Strauss (Mon and Tue).

Bome: Oratorio del Gonfalone: (Via del Gonfalone 32/a): Muir String Quar-tet (University of Boston). Beethov-en, Schubert and Haydn. (Thur). en, Schube #68 75 952).

NEW YORK

coin Center (874 2424).

The Waverly Consort (Alice Tully): The Road to Compostela, songs of me-dieval travellers and pilgrims (Thur). Lincoln Center (362 1911).

November 7-13

CHICAGO

Chicago Symphony (Orchestral Hall):
Claudio Abbado conducting, Margaret Price soprano, Lucia Valentini-Terrani mezzo-soprano, Taro Indiana tenor, Gwynne Howeli bass, Chicago Symphony Chorus, All-Verdi programme (Thur).

(435 8111).

Marrice André, trumpet Telemann, Bach, Albeniz, Hitomi Memorial Hall, Showe Women's College, Sangenjaya (Mon). (237 9990).

Pratak String Quartet, Haydo, Smeta-na, Dvořak, Nikkei Hall, Otsmachi (Thur). (235 1661). NHK Symphony Orchestra conducted by Vaciav Neumann. Smetana. by Vaclav Neumann. Sm NHK Hall (Thur). (465 1780).

NHK Hall (Thur). (485 1709).

Sinstory Hell, St Louis Symphony Orchestra conducted by Leonard Slatkin. Mozart, Mahler, (Mon); Mitsuko Uchida with English Chamber Orchestra in cycle of Mozart piano concertos (Tue); English Chamber Orchestra conduciad by Andrew Litton with Nobuko Yamazaki, cello. David Matthews, Haydn, Mozart (Wed); Premieres of commissioned contemporary music; Tokyo Metropolitan Symphony Orchestra coppolitan Symphony Orchestra con-ducted by Hiroyuki Israki. Isang Yun, Keith Gifford, Hans Zender,

Tovoski Matsuura, piano, Mozart, Beethoven, Brahms, Chahrier. Tokyo Bunka Kaikan. (Mon). (571 1889). Yuriko Moriyama, piano. Schumann, Debussy. Iino Hall, Hibiya. (Mon). (571 1689).

Court ballets live on

Whitoey gallery et 123 East 82nd Street in New York (until November 22). The cache com-prises 183 unrecorded costume designs for 20 court ballets performed during the reign of Louis XIII between 1614-84— the French equivalent to Inigo Jones's designs for the Stuert masques. Not even the national collections in Paris and Stock-holm can claim as many original designs of the period.

Unlike Inigo Jones's largely monochromatic designs these pen and ink drawings are often dazzling; delicately coloured and liberally highlighted with silver and gold. Rather than records of solemn occasions, like those relating to the Stuart and Savoy courts, they are uniquely — annotated working drawings, composed in the etelier of Daniel Rabel (1578-1637). They have an exuberance, ingenuity and wit that is as compelling today as over 350

years ago. To the layman the designs are appealing and humorous; to the scholar they are historical documents. Annotated by up to four hands, the drawings detail colour, construction and fabric: wetered silk and sateen, taffeta and spangles, silvered and painted gauze. They list, too, the masked courtiers, including the king and queen, who would

A private library in West early-17th-century court. They Germany is providing e drama-tic exhibition at the Wheelock hanging inside an elegant New York brownstone, in an exhibition for probably the first and last time. The collection is organised by London dealers Hobhouse and Morton Morris. The exhibition also marks the publication of Margaret Mc-Gowan's study of the designs, The Court Ballet of Louis XIII (V&A Publications, £1495).

Not all the drawings on show are as fully wrought or re-splendent as the design for Jupiter's incarnadine confec-tion, encrusted with gold and silver lightning and thunder-bolts. Some are slight, and not attributed to a specific ballet. The earlier costumes deriva from Roman tournament dress, with short skirts for dancing. There is Cachigue, king of the Africans—who enters the stage on an elephant—sporting tusk-like heards; a figure adorned by live birds; androgynous creatures; decrepit old men in walking frames, humped-backs and, typical of these later grotesques, a figure whose head, emerging from a fishing net, is topped by an open oyster, his hair is seaweed, his nose coral. Surprisingly, the King took this role.
Susan Moore

Conlon appointment

James Conlon has been More than any existing appointed chief conductor of sources, these drawings suggest the Cologne Opera for four the spectacle provided by an years as from September 1989.

i Transl

by Heinz Holliger with Aurele Nico-let, flute; Thomas Fischer, double-bass. Hollinger, Huber, Wyttenbach. Konzerthaus Mozart Saal Mou Grigori Sokolov, piano. Beethoven, Schumann, Stravinsky. Musikverein (Tue).

Ensemble Controchamps, Schoenberg, Richard, Gaudibert, Jarele. Konzerthaus Schubert Saal (Tue).

Vienna Backsolisten conducted by Ernst Wedam with Alexander

Krins, violin; Klaus Lienbacher, oboe, Telemann, Bach, Handel, Mu-sikverein Brahms Saal (Wed). Broadcasting Symphony Orchestra of Czechoslovakia conducted by On-drej Lenard. Smetana, Tcharkovsky, Massenet, Bellini. Volksoper

ORF (State Broadcasting) Symphony Orchestra and Vienna Boys Choir conducted by Lothar Zagrosek with Agnes Habereder, soprano; Margar-etha Hintermeier, alto; Robert Gam-hil, teanor, Dietrich Fischer-Dieskau, heritagen Bastes Nibm Hartmann. baritone. Reger, Rihm, Hartmann. Konzerthaus, (Thur).

METHERLANDS

Amsterdam, Concertious Philhar-monic Chamber Orchestra under Hubert Sondant, with Nelson Freire, plano: Mozart, Britten, Ros-sini (Tue). Simon Rattle conducting the Concertgebouw Orchestra: Mah-ler/Cooks (Wed, Thur). (71 83 45).

Utrecht, Vredenburg. The Netherlands Philharmonic conducted by Hubert Soudant, with Jean-Jacques Kanto-Soudant, with Jean-Jacques Kanto-rov, violine Rossini, Martin, Schu-bert, Britten (Wed), Recital Hall: Traveiling Music Ensemble led by Christian Bor: Schubert, Klughardt, Brahms (Wed), Mahler Lieder sung by Jard van Nes, merro, accompanied by Gérard van Blerk (Thur). (31 45 44).

Groningen, Oosterpoort. Orchestra of the 18th century under Frans Brüggen. Mozart, Schubert (Tue). Botterdam, De Doelen. The Nether-

lands Philharmonic Chember Enducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant, with ducted by Per Dreier with Tedd Joseph Lander Hubert Soudant Advanced Hubert Soudant A

Nelson Freire, pianc: Mozart, Brit-ten, Bossini (Mon). Hartmut Haenchen conducting the Rotter-dam Philharmonic, with Peter Riel, piano: Brahms, Bartok (Thur). Recital Hall: Travelling Music Ensemble led by Christian Bor: Schubert, Klughardt, (414 29 11).

(Tue). (11 11 22).

Masstricht, Schouwburg, Modern Lieder and chansons sung by Gisela

Segovia: Royal Festival Hall (Mon).

Bruch and Sibelius (Thur). Royal Fastival Hall.

Philharmonia Orchestra conducted by

tury liturgical drama by the New York Ensemble for early Music con-ducted by Frederick Renz and di-rected by Psul Hildebrand Jr. (Wed and Thur). (360 1752).

almost abrasive, energy in some of the characterisation.

a few sticks of furniture and deed leaves.

Joe Vanek's sparely sugges-tive sets (though the visible

scene-changes are a trifle long)
clear the decks for vigorous
interplay among the residents
and neighbours of the Sorin
estate in Michael Frayn's trans-

This is immediately apparent

New York Philhammonic (Avery Fisher Hail): Zubin Mehta conducting, Eu-gene Levinson, double hass; Charles Rez, violin; Joseph Robinson, oboe. Haydn, Hindennth, Koussevitzky, Scriabin (Tue): Zubin Mehta con-ducting, Paul Neubauer, violin; Le-onard Davis, viola; Roger Wood-ward, plano. Bach, Kenakis: Ke-grops (world premiere). (Thur). Lin-coin Center (574 2424).

tional Symphony (Concert Hall): National Symphony (Concert Hall):
Mstislav Rostropovich conducting.
Barber, Schubert, Rimsky-Konsakov (Tue): Mstislav Rostropovich
conducting Uto Ughi violin, Oratorio Society of Washington directed by
Robert Shafer, Haydn, Dvořák, Prokofiev (Thur). Kennedy Center
(254 2776) BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY Telegrams: Finantimo, London PS4. Telex: 8954871 Telephone: 01-248 8000

Monday November 10 1986

The trouble with luck

"EVERY GENERAL needs luck," Mr Nigel Lawson, the Chancellor of the Exchequer, said on television yesterday, echoing Napoleon. And it can be scarcely denied that Britain's Conservative Party has had more than its fair share of it in the past few weeks and months. A government that seemed to be falling spart over the Westland affair early this year has come back to the point where it can conter an early general election with a reasonable prospect of winning a third successive term. It cannot all have been the result of good management.
Part of the Conservative recovery has been due to the over defence at their confer-ness, ence in Eastbourne, thus imence in Eastbourne, thus his pairing the chances of the Liberal-SDP Alliance. The Labour Party held together at Blackpool, but on the basis of non-nuclear defence policy that is winning few converts. In the opinion polls that have followed, Labour has more or less beld steady, suggesting that the Party may already bave

passed unchallenged Not least, tha Government seems to do better when parliament is not sitting. There are fewer banana skins and less

peaked, while support for the Alliance has declined. It is the

Tories who have benefited. Their own defence policy has

Rushed election

As parliament begins its new session this week, bowever, the Government needs to ponder bow much has really changed. The very fact that the opinion polls have turned round so fast should itself be a warning not to rely on them too much; they could change again another way and the trouble with luck is that it tends to run out.

What may-but still only ou-have changed in the past few months is that the unem-ployment figures have finally reached a plateau. The Government's training schemes are beginning to have an effect. The long dispute with the teachers is wearing itself out. The decline of the pound 1983. The Prime Minister against the Deutschmark has surely wants to do better than gone sufficiently far to make to win by default.

more competitive. buoyant enough to justify the Autumn Statement, although there are risks in the strategy with inflation and the balance

of payments.

Perhaps above all the Government, from the Prime Minister downwards, has realised that it cannot seek a third term on a manifesto as inadequate as the one it put forward in the rushed general election of 1983.

There is, after all, a distinction between winning and deserving to win, between com-ing top of the third division and winning the European Cup. In that context, there remains of the opposition in that context, there remains The Liberals split rather a lot of unfinished busi-

It is still not absolutely cer-tain, for instance, that the teachers' dispute has been settled and that the great education revolution is under way.
Chancellor Lawson said
yesterday that the pound had
fallen far enough, but appears to rely only on high interest rates and exhortation to hold

it up. There are decisions to come about the future of the Rover Group and of nuclear power stations after tha Sizewell report. The rate of und, remains unacceptably high. There is also a residue of

the poor and the disadvantaged too large for any government to contemplate with comfort. Not averyone bas benefited even on the most favourable interpretation of the Government's record, other countrie -West Germany, in particular continue to do better.

In the next few months there should be two tasks. One is for the Government to show that it can govern competently
by good judgment as well as while parliament is

Japan is said to be growing steadily, the value of its direct investments in Western Europe is still barely a third of those in the US, according to Japanese Government figures. sitting. The other is to draw up a manifesto for the 1990s As a result, national inward that covers such fundamental questions as tax reform and the investment agencies are under more pressure than ever to pro-mote their wares abroad. As they step up their hard-sell cam-paigns, both financial incentives relief of poverty and drops the ad hoc, make-it-up-as-you-go-along approach that has characterised much of Mrs Thatcher's administration since and selective trade protection

playing an increasingly significant role. Government authorities insist that most plant location decisions are influenced primarily by factors such as the availability of skilled ta good communications and the quality of life. But many also concede that, particularly several broadly comparable sites are in the bidding, bard cash can tip the balance. "Every month there is a project somewhere in Europe where the dispute turns on money," says Mr Chris Priston, head of the Invest In Britain Bureau, an arm of the Trade

EUROPE'S QUEST FOR FOREIGN INVESTMENT

A war of diminishing returns

By Guy de Jonquieres, International Business Editor



JAPANESE DIRECT INVESTMENT OVERSEAS IN EUROPE THE WORLD NORTH AMERICA 32.2% by US LATIN AMERICA 18.7% ASIA 23.3% 33.96 NETHERLANDS 1.22 0.82 5.10 SWITZERLAN 0.28**HELAND** EUROPE 13 OCEANIA 5.1% 0.18 MIDDLE EAST 3.6%

and Industry Department,
"Only a minority of projects get into auctions, but they are usually the big ones." The number of European governments prepared oulder an appreciable share of project costs through incentives such as regional development aid, training grants, tax breaks and research and perceptibly in the past few

WORLD TOTAL \$83.6 be

Until the mid-1970s, such inducements were largely the prerogativa of poorer countries such as Ireland, which still offers some of the most generous financing around—up to 70 per cent of the costs of a greenfield investment. Today, they have spread even to Europe's most prosperous industrial heartland, including Austria, the Netherlands and several West German states. But why use a carrot if a stick will do the job just as

well? In France, some government officials argue that the recent infinx of investment from Japan is a direct result of a willingness in the past to crack the whip ruthlessly over hilateral trade issues.

The notorious that the campaign to campaign increased investment in Euro repair from discovering the pleased investment in Euro repair to sub-

to be routed through a remote creating an absurd situation, in customs post, is cited as a mile-stone. "We were the ones to show our teeth," says Ms Marie Louise Bougeneaux, head of the stone with one hand for the retribution which it has administered inward investment at Datar, the French regional development authority. "It really shook the

There seems little doubt, either, that the EEC-wide curbs on VCR imports imposed in the early 1980s and special "infant industry" tariffs on compact disc players have been largely responsible for the growth of Japanese assembly plants in the Community in the past few

Many . Japanese companies believe the EEC Commission is now pursuing e similar strategy in other product sectors. Its imposition of stiff anti-dumping penalties on imported copiers last summer and threatened actions over microwave ovens, electronic typewriters and printers are all viewed from and Japan as part of a deliberate lost out partly because it was campaign to encourage unable to promise assistance increased investment in Euro- for any future expansion.

In particular, the notorious However, they are also worried "Poitiers affair" in 1982, when that intense competition France ordered all Japanese between governments to subvideorecorders (VCR) imports sidise inward investments risks

\$11.0ba All Burope Total CURICE MONNESE MANISTRY OF FRANCE / US DEPARTMENT OF COMMERCE, EMPSHU OF ECONOMIC ANALYSIS

> Even when fears of protec tionism are not an immediate consideration, there is little evidence that subsidies attract to Europe companies which would not otherwise have come "You decide to come into here. Europe irrespective of govern-ment grants," says Mr Wilf Corrigan, chairman of LSI Logic, a US microchip maker. "But where you locate in Europe is affected by grants."

ISI created something of a stir last year when it pulled out of talks on setting up a chip plant in Wales and decided to locate it in Lower Saxony in West Germany instead. Both regions offered roughly similar financial incentives for the initial phase of the project,

The EEC Commission, which ment-sponsored inducements sets ceilings on government aids offered to inward investors in

between local and foreign com-panies in the granting of David Cooksey, chairman of national aids.

Advent, the lead venture capital The Commission has been

cellings on regional aids in the more prosperous parts of a firm already in the country."

Europe are too high.

However, it is trading on sensitive ground. Even though fiscal authority is causing many them. at a commercial distance to the many than a commercial distance to the many than the country. fiscal authority is causing many countries to trim their regional

adament on this score.

Some national inward investment agencies claim that the system is already being strained to the limit. "Disciplines to the limit. "Disciplines between European countries in offering financial incentives are deteriorating," says Mr Tom van Heesch, bead of the Dutch foreign investment agency, who foreign investment agency, who foreign investment agency, who complains that some non-EEC governments have bean aggressively bidding up the general level of subsidy.

Obviously, every government insists that it is playing by the rules. However, details of many interest and the complete the compl

ndividual deals remain confidential unless the Commission specifically demands informa-

Recently, there has been an increasing trend in several countries to leverage state subsidies for inward investment by harnessing them with venture capital. In the Nathadara harnessing them with venture capital. In the Netherlands, MIP, a large venture capital institution, has worked closely with regional development agencies to attract foreign investment since it was set up

MIP, which is 57 per cent state-owned, has taken equity stakea in several smaller US high-technology companies— notably Sierra Semiconductors and Silicon Compilers—on con-dition that they set up opera-tions in the Netherlands, where they have also been given

government grants. Earlier this year, tha Scottish Development Agency teamed up with a group of pri-vate venture capital funds to finance the establishment of a £30m plant in Scotland by Damon Biotech, a small US hiotechnology company. The com-plex deal is a generous one for Damon, which says its initial contribution amounts to only

Mixed financing arrange-ments of this kind obviously help to reduce the direct role of state funding. However, critics US and Japanese firms and to argue that they may create dis-tortions by encouraging private industry instead. which would not be viable without government support. Strictly speaking any govern-

to investment, would dearly like EEC countries must also be to stop companies "shopping available to local companies. around" for inward investment subsidies. But this is hard to achieve, partly because under often tend to have an inbuilt EEC law no distinction is made

fund in the Damon financing "Governments are prepared to The Commission has been under the rules trying to tighten up the rules wherever it can. In particular, officials believe the size of many foreign company with a high profile. It's a lot easier for a too large and the permissible ceilings on regional aids in the ceilings on regional aids in the more prosperous parts of a firm already in the country. Inevitably, established firms for the company it is trading on often complain bitterly that in-

ward investment as commercial dis-advantage. Many also argue that they encourage the procountries to trim their regions and budgets, governments are keen to preserve maximum discretion over how they spend the money: the West German states have been particularly states have been particularly actual or threatened trads

protection.
In general terms, though, conclusiva evidence is hard to obtain. "We have tried to get there are no reliable figures," according to Ms Bougeneaux of Datar. "In any case, everybody tells lies."

Nonetheless, demands from industry have been growing for stringent minimum EEC con-tent rules to be applied to Japanese owned plants. For angered by the £350m gover

The EEC Commissi would have to approve any such scheme, is divided. Though some officials are favourable, others argue that it would be difficult to formulate legally and over, under the Rome Treaty, it would also have to apply to indigenous European manufacturers, some of which rely heavily on components imported from outside the EEC.
Prospects for any concerte

action between EEC countries to stop competing in subsidies look equally cloudy. Commis-sion officials have considered asking governme across the board But they fear that that would simply result in pressure to raise, not lower, the permissible limits.

A still more radical approach is urged by Mr Robb Wilmot, former chairman of ICI., the UK computer coman Silicon Structures (ES2), a pan-European microchio ve ture. He wants EEC govern-ments to scrap all subsidies for

been listened to sympathetically by some European policymakers and businessmen, few consider but wonderfully distant from practicality," says Mr. Cookey of Advent, which helped finance the launch of ES2. "The plain fact is that as soon as one country offers financial incentives, everyone has to do it."

Southern Africa heads for crisis

ing a dangerously unsettled part of the world. The tensions created by the death of President Samora Machel, of Mozamdent Samora Machel, or Mozam-bique, the build-up of civil wars in Mozambique and Angola, tha growing rift between Malawi and its neighbours and the prospect that Zambia and Zimbabwe may soon impose selected sanctions against South Africa despite their vulnera-bility to retaliation, are all in ful succession in Malawi. Africa despite their vulnera-

themselves cause for concern. Together they form a picture of a region moving steadily towards a crisis from which none of the countries involved can emerge unscathed.

Although the civil war in Angola appears to be intensifying, with reports last week of further South African military involvement designed directly or indirectly to advance the Unita guerrilla movement, the level of tension in the region could well be raised several notches by events in and around Mozambique.

The documents alleged to bave been recovered from the aircraft crash, in which Mr Machel died last month, are Macher died last month, are being presented to the ontside world by South Africa as evidence that Mozambigne and Zimbabwe were plotting the overthrow of President Hastings Banda of Malawi.

These have yet to be proved genuine but events of recent weeks independently suggest that Mozambique and Zimbabwe were convinced that Dr Banda was supporting rebels of the Mozambique National Resistance—or at least was allowing South Africe to channel assistance to the rebels through Malawi.

Only weeks before his death, Mr Machel bad threatened to close the border with Mozambique, thus cutting off Malawi's shortest routes to the sea. He underlined his threat by ordering troop reinforcements to the

Vital pipeline

There is little or no evidence that Dr Banda is personally supporting the rebels but the npsurge in MNR activity, in the provinces of northern Mozam- links. hique adjoining Malawi, sug-gests that, at the very least, the border is inadequately policed. South Africa, which has close Africa matched by their susceprelations with Malawi, the one country in Africa with which has their vulnerability to Pre-it has diplomatic ties, may well toria's weapons of transport, be taking advantage of this. Last week, Mr Chester peared so stark.

Secretary of State for African Affairs, said it was his impression that "a pattern of communication and support (between the MNR and South Africa) does continue." President Banda, pro-western and conservative, is now in his late eighties. Tha stresses and strains of being drawn into Mozambique's war could well

The rebels pose an equally serious challenge to another neighbour of Mozambique. One of their main targets is the so-called Beira corridor, through which runs Zimbabwe's road and railway links to the Mozambican port of Beira, as well as a vital oil pipeline which brings in the bulk of Zimbabwe's fuel. It is also the Zimbabwe's ruel if is also the route through which other African states in the region hope to redirect their trade and so reduce dependence on

South African ports. Hence the pledge this month by Mr Robert Mugabe, the Zimbabwean Prime Minister, to defend the corridor, which is already protected by thousands of his troops, at all costs, and to support Mr Joaquim Chissano, the new Mozambican president, against the MNR. The rebei response was a declaration of war on Zimbabwe,

Fraught background

A grossly unequal test of strength between South Africa, the regional superpower, and Mozambique, enervated by war, economic decline and famine, may be in the offing. Will Mr Chissano, who made victory ovar Chissano, who made victory ovar the MNR the theme of his inauguration address, carry out his predessor's threats against Malswi? If he does, could South African stand by idly?

Against this fraught background and within the next few weeks, Mr Mugabe and President Market Mark

dent Kenneth Kaunda of Zambia are expected to implement that package of economic sanctions against South Africa agreed in August by all except Britain among Commonwealth leaders. This includes severance of air

Africa matched by their suscep-tibility to retaliation. Never has their vulnerability to Pre-

Goodyear plays

ing.
It is much the same story is

France. After years of hostility towards multinational invest-

ments, particularly from Japan, it now claims proudly to have

attracted more Japanese pro-duction plants than any other

European country. To drive that point home, the French Govern

ment invited 30 top Japanese industrialists and bankers on a

12-day tour last summer to show off its open and welcoming atti-

our its open and welcoming attracted towards foreign businesses.

The changing image of Japanese companies — from menacing pariahs to honoured corporate citizens—is only one aspect of a much broader trend.

Right across Europe, attracting inward investment is command-

ing an increasingly high priority

among governments as a means of boosting jobs and exports and strengthening the technological

base of industry.

"The competition to win internationally mobile projects is undoubtedly becoming much

stiffer throughout the EEC," according to Mr Ian Robertson, director of Locate in Scotland, a

UK government agency. "It began about three years ago and we have really noticed it during

In part, this reflects in-adequate supply, inward invest-ment from the US, long the

main source of projects, has tailed off sharply in the past 18 months. Though interest from

the past year.

US card

Robert Mercer, ager 62 chief executive of Goodyear, the em-battled US tyre glant, is con-vinced that Sir James Goldsmith, the Anglo-French finan cier, is "obsessed" with taking over his company.

Mercer has begun recruiting some far-flung allies to belp ensure that it does not happen. On paper at least Goodyear appears to have retained two of the best financial advisers on Wall Street.

Marty Siegel, Drexel Burn-ham's takeover defence expert, has been hired to belp Goldman Sacha, the company's traditional investment bank, defeat Gold-smith, who is being advised by

The latter's main attraction is its willingness to put up a couple of billion dollars rather than any particularly impressive track record Meanwhile, Goodyear's friends in its bome state of Ohio, and in

Washington, are rallying round with an intensity that might make a lesser corporate raider than Goldsmith have second thoughts about the wisdom of

his move. Senator John Glenn, the for-mer astronaut, has called Goldsmith's takeover attempt "atrocious" and is asking the "airocious" and is asking the US securities and exchange commission to take, "a very, very careful look" at it.

Congressman John Seiberling, grandson of one of Goodyear's founders, is urging the passage of legislation to block the takeover because of Good-

year's importance
Milan Stone, president of the
international united rubber
workers union, says his union
will do all it can "to stop this

The famous Goodyear airship has been flown into action. It has been spotted patrolling the skies right above Goldsmith's mid-town Manhattan offices. Finally, the tyre glant has begun a \$20m to advertising blitz to win the hearts and minds of Americans. The emotionally charged 21-vertisements, which are meant to convey a feeling of warmth,

Men and Matters

for a family dog on a wet uight in a car fitted with Goodyear tyres. It was screened in the middle of a "sitcom" pro-gramme called Gimme a Break.

Pasta fashion

True to his reputation as fine to his reputation as a financial and industrial wizard. Carlo De Benedetti has pulled another surprise out of his conjurer's hat.

After Olivetti, office equip ment, car components, pasta (Buitoni), financial services and publishaing, to add varied strings to his industrial and financial empire, De Benedetti has just acquired a 25 per cent stake in the high fashion house of Yves St Laurent.

Late last month De Benedetti

was thwarted by Sir James Goldsmith in a bid to take control of Presses de la Cite, France's second-biggest publisher.
But the Italian has bounced back with a deal which is likely

to pave the way for even bigger international links. The house of Yves St Laurent, which has been beld by the fashion designer and his parmar Pierre Berge, since it was founded 25 years ago, appears keen to acquire control of Charles of the Ritz, the US coaries of the Ritz, the US cosmetics group owned by Squibb, which also owns the Yves St Laurent perfume line. De Benedetti, through his newly formed French Cerus helding company, could now provide Yves St Laurent with the financial strength to gain control of a business valued at about \$600m.

About \$600m.

Plarre Berge, the chairman of the Yves St Laurent company, says he approached De Benedett to offer him a stake in the fashion house—the intermediary was a friendly banker known to both men in New York, Moreover they had both clearly hit it off during early to high positions. "But I think

comfort, safety, and security, carry a theme line, "Goodyear, take me bome."

The first tv commercial was about a father and son looking for a family dog on a wet uight in a car fitted with Goodyear tyres. It was screened in the

Bonsai bankers

Sanwa Bank, the fifth largest bank in Japan, has concluded that the best way to get foreigners to work for it—and to absorb the strong Japanese corporate culture—is to catch them young and train them.

The bank has just put the principle into practice by re-cruiting two young Oxford graduates, Simon Clow aged 22 and Charles Rixon, aged 23. They are off to Tokyo shortly for an intensiva two-year training. After that they will be dispatched to a posting outside Japan to help build Sanwa's growing international business growing international business. Although several Japanese companies already take in foreign graduates this is thought to be the first time that recruits have been whisked off to Tokyo to be thoroughly steeped in the language and business methods.

business methods.
"We have done this for two reasons," says Yasuichi Asat, the deputy general manager of the bank's London branch. "We need native English speakers who can bandle the business more quickly. At the same time we want our staff to know Japan very well. We hope they will learn about tha behaviour of Japanese companies, and their mentality and their way of deciding things." The two young men were recruited through an agency. Clow has just graduated in economics and politics. Rixon

Sanwa are being quite forwardlooking about this." He has not made e lifetime commitment to his first employer as most Japanese do. The contract is for just two years. But he expects, through merit, to earr a management post in one of Sanwa's operations in Cali-fornia, New York, or London.

Dash for growth

And would occidentals lose one

of their perceived advantages over orientals if the latter were as tail-or even taller? The science of genetic engineering has reached a point where that is no longer an academic question. A state-owned Swedish company, Kabi-Vitrum is hoping to persuade the Chinese to born its human the Chinese to buy its buman growth bornome. That is a biotechnology product said to make people grow taller. Doctors at Union Hospital, Peking, are already testing the drug experimentally, says Dr Hans Flodh, a KabiVitrum executive just back from Chins. The drug was developed by Genentech in California under a research contract which left the Swedish firm with the world market outside the

At present about 18,000 undersized children are being treated with it worldwide, almost all of them in tha richer countries (including 900 in Britain) for it is an expensive and protracted treatment.

Number one rig Oil rigs may not be in much demand these days, but the Glomar Arctic II, which has been auctioned by Phillips, London, fetched £15m, the highest price ever in a fine art

highest price ever in a fine art auction room.
Its owner, the distressed US oil group, Global Marine, may console themselves that even though the rig cost about five times as much to build, it is still nearly twice as valuable as Mantegna's Adoration of tha Magi, the previous anction record holder, sold by Christies last year for £8m.

Observer



When you have some idea of what's to come, you can act accordingly.

If only someone had warned Harold that William and his trusty bowmen were on the way Alas they didn't; and the rest is history. Which makes you realise just how beneficial a

little knowledge of the future can be. So this month The Economist Publications are bringing out a new magazine called "The World

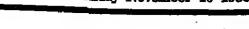
It's a yearbook. But unlike yearbooks of the past, ours looks to the future. We'll forecast and analyse trends for 1987. We'll cover likely developments in science and

technology We'll delve into British industries and the domestic and international

markets in which they compete. And we'll make predictions for the political and economic prospects of both Britain and the rest of the world. And all for just £2.95.

If Harold could have bought such a magazine in 1065, perhaps he wouldn't have bought-it in 1066. On sale at your local newsagent from November 20th.

DEI WILLAND



Foreign Affairs

Summit still wrapped in cloud

By Ian Davidson

WHEN Mrs Thatcher visits Ronald Reagan this week in Washington, she will have a three-part script carefully pre-pared. First, she will commiserate over his setback in the mid-term US elections; second, she will explain the advantages of the British constitution, under which her control of the House of Commons, of the national exchequer and of the calendar should enable her to avoid a similar fate; third, she will engage him in lengthy debate about the sensational mini-summit at

This last will obviously be the central question on her mind. The difficulty is that, even though the summit took place a month ago, the British Government and its most expert advisers still do not know what happened.
By this I do not just mean

By this I do not just mean that Whitehall is uncertain about the details of the two negotiating positions. In this respect London does not seem to be much worse placed than Washington and Moscow: disagreement between the superpowers about precisely how far they got at the Hofdi House appears to be so deep that Mr Eduard Shevardnadze, the Soviet Foreign Minister, felt entitled to stage a walk-out from a session with Mr George Shultz, his American counterpart, at a follow-up meeting in Vienna last

Of course, the details of the disagreements are anything but details, apparently minor changes in e word or two would imply massive differences in the international arms, control regime. Quite apart from the familiar argument over President Reagan's treasured Star Wars enti-missile defence programme, the two sides seem to have very different recipes for making deep cuts in offensive nuclear

weapons.
These differences do not seem significantly to affect the first five years of a proposed 10-year disarmament package, in which long-range strategic nuclear weapons would be cut by half and intermediate-range

the elimination of all remaining nuclear weapons; according to early reports, the US proposed

US SOVIET/NUCLEAR BALANCE

	US warheads	Soviet warhead:
Intercontinental ballistic missiles	2.110	6.420
Submarine-launched ballistic missiles	6,656	3,216
Bombers	4,080	1,080
Total	12,846	19,716
Source	. The Military Rai	anca, IISS

the elimination of all reman-ing strategic ballistic missiles (i.e. not bombers or cruise missiles, and not short-range ballistic missiles in Europe), but a later clarification removed the word strategic (so as to cover short-range ballistic missiles in Europe). No doubt these uncertainties are only the tip of a vast iceberg, since it is impossible to encompass total noclear disarmament in an im-promptu negotiation in a single weekend in Iceland, without spraying ambiguities around like confetti.

Vast though these differences Vast though these differences are, they are not the uncertainties which most trouble the British Government. What London does not yet know is whether anything real happened at Reykjavik, or whether it was just a plece of melodrama staged so thet the two leaders could outbid each other in claiming to be men of peace.

On the face of it recentifiers

On the face of it, scepticism is obviously in order. Over the past 40 years the superpowers have not succeeded, despite several attempts, in negotiating reductions in their nuclear arsenals by a single warhead; it must be stretching credulity to imagine that they could seriously intend, as a result of one weekend's debate, to engage one weeken's debut, to engage in complete or nearly complete nuclear disarmament; it is virtually impossible that the Russians could commit themselves to such a programme, without a parallel commitment by half and intermediate-range missiles would be eliminated impossible that they could commajor disagreements concern plete such a programme in as short a period as 10 years. On grounds of cynicism and planting it looks like an attempt

that Reykjavík sous a major event in the real world. Instinct supports the general proposition that the two superpowers are negotiating seriously about deep cuts in nuclear weapons, for two reasons: first, this is the only kind of deal which has any chance of extending the life of the 1972 ABM treaty and of preventing the deployment of Star Wars; second, from where we are now. the alternative to a deep cuts agreement is not a freeze or an extension of the unratified Salt Il treaty, hat a world without any arms control at all. Still,

these are just hunches on my

What is incontrovertible, by

contrast, is that Ronald Reagan is being mercilessly and is being mercilessly and publicly whipsawed by Mikhail Gorbachev, not once but time and again. He was outmanoeuvred into agreeing to the Reykjsvik meeting when he wanted a summit in Washington. He was bounced into an imprepared negotiating session on a package which went far further than anything previously contemplated in Washington, let alone discussed with the Nato allies. He was saddled with the epparent onns of having blocked an agreement, through his adherence to Star Wars. And now his Secre-tary of State is being accused of

national agenda on Soviet terms. Not merely is the Great Communicator being out-communicated, he is being upstaged and out-manoeuvred as

All this is rather worrying for the British Government. In the first place, there is the little matter of Trident. It is already embarrassing to be engaged in The Chancellor's initial desire the acquisition of a new submarine missile system which could quadruple the number of British nuclear warheads, at a lif the Government again time when the superpowers are talking of a 50 per cent cut in their argenals. It could be even more embarrassing if they both started talking with the appearance of argentages about started taking with the appearance of seriousness, about a non-nuclear world. It could be more than emberrassing if apparent signs of progress towards such a world were to coincide with a British election estimates. tion campaign.

Such a coincidence is unlikely, however. Mr Nigel Lawson's public spending package clearly points to a British election next year; whereas the inference of Reykjavik is that, while the Russians will pursue tha quest for a far-reaching arms control deal in Geneva, they do not expect to conclude it arms control deal in Geneva, they do not expect to conclude it before the next presidential election, and perhaps do not want to conclude it with Mr Reagan, because they already know he will not give them what they want on Star Wars.

But the deeper worry high-lighted by Reykjavik is over America's role as leader of the Atlantic Alliance. Over the years, US leadership has regu-larly been criticised, often with justice; but the fundamentals of the international strategic regime remained remarkably stable. Then came Bonald stable. Then came Ronald Reagan. Three years ago, with Star Wars, he casually announced a strategic revolution. Last month at Reylevik, he was debating another revolution. ment, through his adherence to Star Wars. And now his Secretary complete or nearly complete in comple

There is much to be said for fully joining the European monetary system. One of the reasons for joining the system is not the soft option which the hon, gentleman implied. It would not be a soft option... The right hon, gentleman is extremely percipient in noting that, if we were to join the EMS fully, sterling would be linked to the D-Mark.

-Nigel Lawson, Question Time, Nov. 6.

FOR ALL the conventional wisdom to the contrary, I do not think Mrs Thatcher will be able to risk an early election. In 1983 she was persuaded, against her initial instlucts, to run ou the Falklands factor, nearly a year before the expiry of her term. The present Parliament does not expire until June 1988.

tracking.

If the Government again throws away the last year or two of its term to seek re-election, the electorate will wonder what at has to hide.

We know that present econ-omic strategy—unbuttressed by EMS membership—is exposed EMS membership—is exposed to many risks.

After the end of the 1987-88 financial year, if the gamble has paid off, the Government will legitimately be able to ask and runs before, it will not deserve to be given the benefit of the doubt. And if Downing Street thinks that this verdict will remain locked in decently obscure learned columns, it will soon be disabused.

Cally on Thursday as he has failed to consolidate inflation at the 2½ per cent rate it reached in the summer. The summer is the Chancellor's advisers want him to use the marroeconomics. Some of the Chancellor's advisers want him to use the marroeconomics at the 2½ per cent rate it reached in the summer. The annual increase in the RPI is some time to rise from 3½ per cent in the present quarter to some unspecified rate around 4 per cent some time in 1987 before slipping back to 3½ per cent will remain locked in decently obscure learned columns, it will be reduced when growth is

Some of the instant reaction to the Autumn Statement has confused the political economy, the fiscal arithmetic, and the macroeconomics. The political economy is simply that Mrs. Thatcher has abandoned her

attempt, not even to cut public spending, but to hold it stable. She should explain her U-turn to the nation.

The more immediate fiscal background is that the unpublished forecasts for 1987-88 revenue are far more buoyant than generally realised. This reflects both expected abovetrend growth and soaring company profits. Unfortunately, this pany profits. Unfortunately, this latter item does not augur well for wage inflation.

Economic Viewpoint

Too risky for an election

By Samuel Brittan

TREASURY FORECASTS

(Percentage changes on a year earlier, at constant prices) Domestie production: GDP

* 3 per cent allowing for miners' strike.

quirement in 1987-88 amounting

quirement in 1987-88 amounting to 1½ per cent of GNP or £7bn the Treasury's Economic Prosto E7½bn. That is why the pects is that, thanks to the Chancellor could say categorically on Thursday as he has not done in previous autumns: failed to consolidate inflation There will be no expansion of the PSBR."

Now for the macroeconomics.

What is massively that the Treasury's Economic Prostored in Experiment In the Treasury's Economic Prostored in the Treasu

What is massively clear from

The unpublished revenue forecasts for 1987-88 are far more buoyant than generally realised

higher than the estimate for the ing of sterling which made it current year. If the Treasury necessary to raise interest rates, simply wanted to tighten up all if there is further downward round, it would have some case, pressure on sterling, the Govfor wage inflation.

The Treasury is at last working on an equation trying to link the two. Wage inflation, too, is good for revenue, so long as the boom lasts.

The "planning total" for spending for 1987-88 is now put spending for 1987-88 is now put at 142 6thm. name 64 7hm above.

The Treasury's own, more direct estimate of manufacturing costs is none too reassuring. Because of a once-for-all 11; per cent fall in fuel and material costs in 1988—the henefits of which have been thrown away—total unit costs are expected to rise by only it per cent in 1988.

Next year they are expected to before De Gaulle.

to rise by 31 per cent. This is despite an expected improve-ment in productivity and slowment in productivity and slow-down in earnings (the latter hopeful in view of industry's response to devaluation). Yet the rise in "output prices" is expected to fall from 4 per cent in 1985 to 3½ per cent next year. Difficult to believe.

Many critics will focus on the forecast of a £1½bn current payments forecast in 1987—and a much higher number is supposed to have emerged from the Treasury's computer before "indgment" was applied. A temporary payments deficit, even if larger than forecast is not a cause for jumping off Bracken House, provided it is not part of a continuing up-ward trend which will under-mine sterling. The Treasury's more detailed volume fore-

casts do, however, suggest a deterioration between the first end second halves of next year. The heart of the Treasury's forecast is in the table—unfor-tunately in funny money, so that leakages of demand into infla-

The line showing a continuing The line showing a continuing 3t per cent read increase in domestic demand is credible enough, and may even be too low. The same applies to the rise from 1 to 3 per cent in the growth of exports, in view both of sterling's depreciation and the improved growth of Britain'e overseas markets. The forecast may also underestimate the growth of invisibles. the growth of invisibles.

The estimate that looks most The estimate that looks most suspiciously optimistic is the expected decline from 5 to 44 per cent in the growth of imports. The most likely balancing force, should the economy overheat, would be an increase in interest rates which—via its effects on stocks—would slow down both demand and imports. down both demand and imports.
The Treasury is pessimistic

The Treasury is pessimistic about the amount of devaluation required to effect a given improvement in the tradebalance. This pessimism is dangerously self-justifying, because it reflects (a) the well-justified scepticism of businessmen that any exchange rate change is here to stay and (b) the erosion of past depreciation by domestic wage inflation. Under a different environment, with a commitment to maintain with a commitment to maintain the present exchange rate, and a belief that wage increases would not be validated by depreciation, the response

would he very different.

There is a strategic choice to
he made. Either we give priority to the crude halance of payments figures and try to make devaluation work by adminis-tering large and repeated doses, or we concentrate on currency

Markets for

From Mr G. Nath Sir,—There has been much comment in the press in recent country and the future of the sugar beet industry, mainly occasioned by the prospective takeovers currently the subject of deliberation by the Mono-polies and the Mergers Com-mission.

The discussion so far has concentrated on beet sugar and concentrated on beet sugar and its problems and little attention and regard has been given to the other source of supply, namely cane sugar imported under the Lome Agreement with the EEC, from Commonwalth the EEC, from Commonw

with the EEC, from Common-wealth countries, and making up some 50 per cent of sugar consumed in the UK.

For many years the Com-monwealth Sugar Agreement was the vehicle by which these supplies were imported. When the UK joined the EEC and this the UK joined the EEC and this agreement was superseded by the Lome Convention, assurances of a quite specific nature were given both by the Community and the UK Government of continued access for sugar from developing members of the Commonwealth. For these Commonwealth countries the continuation of this relationship is of the greatest economie and social necessity. Recent events, however, appear to be events, however, appear to be diluting the strength of these assurances, despite the fact that they have been repeated

that they have been repeated over and over again. It is of the greatest concern to us that whatever the future of British Sugar, the outlet in the UK for cane sugar is preserved at its present level. It this were not done, we would have no alternative home for our sugar, as suitable refinery outlets are not available in the EEC for any of the additional quantities that might be disquantities that might be dis-placed from the UK. The beet sugar industry has always been the main source of supply for most other EEC members, but the UK has had traditional links with cane for most of it sugar going back over many hundred

cordings.

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We are not of course asking for anything more than the maintenance of undertakings freely given in the past and of continuing and serious validity. It would have the greatest social and economic consequences for our economies, if this long-standing trade was in any way damaged. Tropical agriculture does not enjoy the range of alternative crops open to Europe and sugar is one crop that can be grown and provide an income for many of us grappling with all the problems of small-island or land-locked

The maintenance of our position in the UK is not a marginal matter that we can shrug off, but it is of fundamental importance to us, and we watch with concern the apparently increasing risk to

Letters to the Editor

Gian Nath (Chairman, ACP High Commissioners' Sugar Committee). Mauritius High Commission,

Plessey and

GEC From Mr M. Lester

Sir,—I read with interest both Justinian's article (October 27) on UK takeovers and US law, which discussed the decision of the US district court in the unsuccessful action brought by Plessey alleging violation of the US securities laws by GEC in connection with its take-over offer, and the letter from Mr Warren J Sinsheimer, deputy chief executive of Plessey (November 3).

Mr Sinsheimer complains of significant maccuracies the Justinian article and of its thesis that Plessey filed suit against GEC merely as a delaying tactic in response to GEC's bid. But he fails to mention that the suggestion that it was "et least possible that Plessey's "et least possible that Plessey's efforts were motivated by a desire more to delay than to inform, more to gain an advantage than to preserve neutrality" was made by the US district judge, not Justinian. Those who read a full report of the case will be left in no doubt that Justinian's article fairly and accurately presents the court's accurately presents the court's

M. Lester, General Electric Co. 1 Stanhope Gate W1.

Giving to charity

From the Director, Institute of Charity Fundraising Managers Sir, — Nikki Tait's excellent article (November 1) on payroll giving to charity, highlights some of the very real problems which remain unsolved.

At the end of March I chaired a meeting which sought to clarify the Budget proposals with regard to charities. I wae quoted by the Chief Secretary of the Treasury in the debate on the Finance Bill as saying in my summing up that I welcomed the changes proposed in the Budget. It was, while true,

not the whole truth. I was further quoted in this newspeper as saying that it was up to the charities to take advantage of this opportunity

and up to the Institute of Charity Fundraising Managers

lines have at last, helatedly, appeared. We were not given sight of any draft and there are, as your correspondent says, some areas in which the rules

are not specific enough.

To give an example, although

a time limit is set for employers passing cootributions to agency charities there is no time limit

for an agency charity to pass on those contributions to charities.

the plunge.
The Government did offer a

real opportunity to increase voluntary income to charity in

Britain when it proposed this £100 tax break to individuals. It

would be so sad if the scheme did not take off through lack of precision at this stage.

Sir,-Not all small member

firms of the Stock Exchange regard the International Securi-

ISRO'e financial resources dwarf those of the Stock Exchange and any suggestion

that ISRO is out to assimilate

as a guarantee of good steward-ship and proper hehaviour.

accorded.

Diane Yeo, 14 Bloomsbury Square WC1.

Changes at the

Exchange

From Mr J. Torrie.

and its trust to equip charity fundraisers to do this. I went on to say (and sadly this was not reported) "If we are to achieve this, clear, precise and concise guidelines need to be drawn up quickly by the Govern-J. Torrie, Torrie & Co. ment, and I very much hope that we shall be included in the

6 Hope Street, consultation process."

The Inland Revenue guide-

Economics and the environment

Sir,—Much of what Jonathon Porritt said (October 29) needed saying. Improvements in the environment have to be that the environmentalists were saying that all we needed to do was opt for zero econo-mic growth.

Not only could this lead to just the sort of abuse which the Inland Reveone wishes to avoid but it might make employers and employees reluctant to take

Pace Mr Porritt, the US nuclear industry has not col-lapsed any more than has the power plant industry generally. Cancelled orders for coal-fired plants in the US since the first oil crisis exceed those for nuclear plants. It has not been a case of "consumers refusing to pay more for a more risky energy source": those utilities with the highest proportion of nuclear plants have the lowest tariffs. The industry does have a problem: it arises from the American system of private utilities looking to the open market for capital for new plants but heing subject to a form of public control of their incomes that is hiased against capital-intensive options. This may drive utilities to short term

firms to participate in "Takisman," TOPIC, and now SEAQ, the creation of an enlarged Stock Exchange will surely facilitate the development of sophisticated systems that would otherwise have not been within their scope

It is not only the larger groups which are likely to benefit from the influx of new international business to the proposed new Stock Exchange; small firms may anticipate spin-offs in the future. Founder member firms, both large and small, may look forward with confidence to a new era, where they may occupy a privileged position.

From Dr L. Brookes

peid for just like any other improvements in our living standards. It is not so long ago

Unfortunately he could not resist ventilating his wellresist ventilating his well-known bias against nuclear energy. He chose to attack its economics, flying in the face of the recent OECD report which showed a substantial economic advantage for it in a wide range of countries including the UK.

ties Regulatory Organisation merger proposal as sinister. members' assets may he dis-regarded. The inclusion in the ISRO membership of such names as Bank of Scotland and Baring Brothers is taken here expedients to postpone invest-ment in large cost-efficient plant. I em more attracted to the alternative view that ISRO is

It is moreover wildly wrong to represent the US as having prepared to indulge the Stock Exchange's occasional quaint made a see change to conservation, combined heat and power and "renewables" for its energy supply. There has hardly been e ripple in the long habits in order to develop an essentially sound system into one of the world's top three markets. This is e compliment which no other market in the term trend of improving energy same time zone has been efficiency of the US. In the eame way that the (Dr) L. G. Brookes, Federation of the Stock Ex- 16 Ipswich Road, change in 1973 enabled small Bournemouth, Hants.

MAN'S LANDMARKS



INSTANT MONEY

When you travel abroad with your Visa card you can obtain local currency from any cash dispenser, wherever you see the Visa sign, in Europe and around the world.

Visa has the most widespread network in the world with over 11,000 machines from Oslo to Malaga and London to Sydney,

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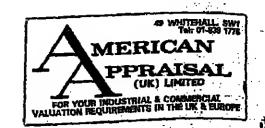


All you need.



FINANCIALTIMES

Monday November 10 1986



ters intention to convert the US

turing economy into a sort of ser vice paradise, where undepreciable employees are paid a fortune for ex-

tracting earnings from fixed capital

no more elaborate than a pencil, but

the tighter depreciation rules tend

In the case of the most inert form

of capital - real estate - the market

has now faced up to the monstrous overhang created by the old inx re-

The downward trend in valu

has been exacerbated, even in the

to favour labour over capital.

from a capital-intensive man

Roderick Oram on Wall Street

Dealers hammered at auction

A CADILLAC limousine glides up to the Federal Reserve Bank of New York's squat, grim fortress in the heart of Wall Street and parks illegally outside the front door shortly before hids close on the latest Treasury bond auction.

Inside the car, two employees of Nikko Securities are on the telephone to their firm's 37th floor trading room in a nearby skyscraper which looms over the Fed. Up there, colleagues are holding last-minute consultations with the firm's bead trader in Tokyo even though it's nearly 3am Japanese time.

One last check of the New York market screens and Nikko's Wall Street team fixes the price and size of its bid for the \$9.25bn of 30-year bonds. Word is passed in Japane over the telephone to the limousine duo who scribble down the details, scramble out of the car and run up the steps into the Fed. They make the 1pm deadline with seven minutes to spare. It's a breeze. They had only seconds to spare on the

previous day's 10-year note auction.
This scene of Yankee ingenuity and Nipponese efficiency was played out three consecutive days last week for the Treasury's quarterly refunding. Other firms did it differently. Those with the coveted status of primary dealer, eagerly sought by Nikko and other foreign firms, used their own phone-equipped booths inside the Fed. Less fortu nate ones staked out public pay-phones in surrounding streets. One firm was rumoured to have missed an August auction when its runner was knocked down by a car.

Bond dealers should have been so lucky last week. For many the refunding felt more like a tangle with a Mack truck. The auctions had a Mack truck. The anctions had gone from bad to worse as retail investors walked away from low yields leaving them to count the cost of large inventories of unsold new securities.

Carried an excess capacity of about 40 per cent, the Unctad secretariat said. It also pointed out:

Subsidies to shipyards of between \$40n and \$50n a year are

Only a week earlier the picture looked far brighter. Dealers being of too many new vessels, partilieved that Japanese would be cularly tankers and dry bulk carriheavy buyers of the 10-year and 30-year paperin the wake of Tokyo's Yards are still signing contracts discount rate cut and yen-dollar without any assurance of adequate stabilisation agreement with the US. Domestic demand also was or evidence that post-delivery fi-

thought to be good A leading Wall Street firm, respected for its professionalism, disgressively into the first auction last Tuesday by organising a cabal of fellow firms, as one competing head trader described the play, to bid well below the investor-accepted rate indicated by the "when issued" market. They cornered the \$10bn worth of three-year notes offered, hoping to make large profits selling alers short of the paper. But investors and dealers were disinter ested in the low yields and left the cabal holding the bag.

While the opportunists were los ing their shirts, the Republicans were losing the Senate in the midterm elections. The political upset might have softened up the bond market on Wednesday if the dollar had not rallied on news of poor West German industrial production

figures,
Bidding was more cautious for
Wednesday's \$9.75bm of 10-year
notes. "After Tuesday, we decided we had to offer something resembling a gift horse on a silver plat ter," the trader said. But investors expectations were now rising faster than the yields so they, particularly the Japanese, only nibbled at the motes, leaving dealers with even more paper no their hands.

Ahead lay the main course

Thursday's auction of \$9.25on of 30year bonds. Many on Wall Street still hoped that the Japanese would buy up to half the issue. But the backing away, smarting from their capital losses since the August auc tion and unsettled by overnight comments from their finance minis-ter that implied the dollar-yen plan

was not as solid as it had seemed. Domestic buyers were losing their appetite as they became more convinced that growth, and hence inflation and interest rates, were

morning, dealers worked their telephones with the usual pre-bid vigour trying to discover from their Street sources oth-

Rumours spread that employ ment figures to be released on Fri-day would show creation of far more jobs than forecast, another sign of economic acceleration. Cash and future bond prices slipped fur-

Dealers bid relatively cautiously to produce an average yield of 7.54 per cent but this did little to stimulate demand - the Japanese took oniy one third - so prices kept falling. Investors' ideas of suitable yields seemed to be rising faster than

dealers were cutting prices. By Friday morning, when strong employment figures pushed down prices even further, dealers still had half the \$9.25bn of 30-year bonds on their books.

Robert Thomson watches Peking take lessons in the capitalist power game

China takes a tip from Wall Street

THE CHINESE like to say that their economic reform programme is building "socialism with Chinese characteristics." In the next few days, a powerful delegation of Wall Street brokers, visiting Peking to teach the American way of moneymaking, will find that high finance there also has distinctly Chinese characteristics. characteristics.

China's central bank, the People's Bank, is hosting the creme de la creme of capitalism in the hope that the country will learn a few tricks of the trade for its own foreys into the world's financial markets and for its plans to stimulate the do-

Mr James Balog, vice-chairman of Drexel Burnham Lambert, will lecture Chinese officials on the permutations and combinations of investment instruments, while the senior partner of Milbank, Tweed, Hadley and McCloy, Mr Elliot L. Richardson, is due to explain the regulation, or lack of it, of financial narkets.

Other visitors of note include Mr John J. Phelan, chairman of the New York Stock Exchange, which

BY WILLIAM DULLFORCE IN GENEVA

A COMBINED assault by govern-

ments, shipowners, shipbuilders and bankers on the imbalance be-

tween the supply and demand of ships is being called for today by the United Nations Conference on

Trade and Development (Unctad).

A decade of scattered national

and regional attempts has failed to correct the imbalance. Surplus ton-nage last year was still equivalent

to 24.3 per cent of the world mer-

chant fleet while world shipbuilding

continuing to stimulate the order-

ing of too many new vessels, parti-

BY DAVID HOUSEGO IN PARIS

MR JACQUES CHIRAC, the

French Prime Minister, seems like-

ly to be caught in an embarrassing

olitical row after the decision by

the Washington Times to publish the transcript of the off the-record

interview the paper held with him

last week. The transcript confirms Mr Chir-

ac did imply that the Israeli intelli-

gence services were behind the at-

empt to blow up the El Al airliner

in London last April. Mr Chirac - according to the transcript - said

that Chancellor Helmut Kohl of

West Germany and Mr Hans Die-

trich Genscher, the Foreign Minis-

ter told him they believed the at-

tempt was a direct provocation by the Israeli services (Mossad), and

that the Syrian Government was not involved.

E. F. HUTTON, the troubled Wall Street brokerage firm, has rebuffed a \$1.6hn takeover approach by

American Express, the US financial

it had held "preliminary discussion" with Shearson Lehman Brothers,

the brokerage arm of American Ex-

press, but that the talks had ended

and were unlikely to resume.
It said 'no formal offers were

made in the course of these discus-

sions, but Wall Street sources said

nance has been arranged.

CL:

"Ring me at three in the morning if you like. I am working here," assured one of the New York orga-nisers, as he rushed out to meet an aeroplane. Meanwhile, several Peo-ple's Bank of China staff sat idly in a corner engaged in the time-hon-oured practice of clock-watching.

The symposium, the first orga-nised by the NYSE in a communist country, is intended to educate the Chinese about the way Wall Street handles money, and teach the New Yorkers about China's economic development and needs, according to Mr Richard Torrenzano, a NYSE

spokesman. "We think it is a very good time to be in China. They have recently improved conditions for foreign investment. They are talking about bankruptcy. They are committed to

International effort sought to

Commercial banks which have

advanced credits against inflated hull values to hold about \$20bm in

Governments, through tax con-

cessions and investment grants, were encouraging speculative in-vestments in the building of new ships, the secretariat noted in its re-

port to Unctad's shipping commit-tee which meets in Geneva today.

operated under flags of "open regis-try" countries such as Liberia and

Panama which offer shipowners

lower taxes and freedom in the

But, the Uncted secretariat

warned, no substantial increase in

the volume of international trade,

in particular of bulk commodities,

could be expected in the foreseeable

future. The only way it sees of bringing about a clearer balance be-

tween supply and demand in world

shipping is to reduce the supply of

Both the West German Govern-ment and Mr Chirac have issued

categoric denials of the Washington

Times report. Mr Chirac met Chan-

cellor Kohl in West Germany yes-terday but both declined to com-

At the very least, the publication of the text is likely to undermine Mr Chirac's credibility in the handling of foreign affairs, while reviv-

ing old charges of his hotheaded-

Coming on the eve of the EEC

meeting in London on international

terrorism and the prospect that both France and West Germany

will support limited sanctions against Syria, Mr Chirac's remarks also show up the contradictions and

tudes on the issue. This is likely to

E. F. Hutton rebuffs \$1.6bn offer

This offer was rejected by the Hutton board on Friday night, the

It is understood that American

Express is unwilling to proceed with a contested takeover bid for

Hutton. But Wall Street sources be-

lieve Hutton's future as an indepen-

dent firm remains in the halance. It

has been the subject of takeover

peculation for many weeks. According to a report in the New

York Times, Hutton on Friday night

told Shearson that its board would

consider an offer of at least \$55 per

ness and impetuosity.

Chirac row over disclosure

Many of these ships were then

solve world shipping crisis

bad debts on ships.

choice of crows.

tion," Mr Torrenzano explained. Asked whether the visitors would provide instruction on how to over-come political barriers - advice that

would be handy for Chinese reformers hindered by the more conservative party cofficials - Mr Torrenza-no said that the conference would "put politics aside": "We are here to talk about the American system of capital raising."
Perhaps the Chinese system of

capital raising will provide some salutory lessons itself. One of the first Chinese factories to raise capital from private citizens was the Tianjin bicycle plant, which is re-nowned for its Flying Pigeon-brand machine, commonly regarded as the Rolls-Royce of bicycles.

The factory has said it is issuing "shares" worth \$2.5m but purchasers will not have a stake in the company, and private sales of the shares" are illegal. The attraction is that buyers get tokens entitling them to buy a bicycle and enabling them to jump a long queue.

The first "stock exchange" since

To help do this, the secretarist urged the Unctad shipping commit-tee to call a meeting before the end

of next year of governments, ship-

building and ship-financing sources, including commercial banks.

Unctad said previous attempts at

restructuring by major shipbuilding

countries or groups such as the EEC had barely alleviated the situa-

tion. Measures taken to meet the

special interests of a group of coun-

tries or businesses had not been ful-

Unctad claims to be the only or-

ganisation with worldwide repres-

entation tracking shipping and

shipbuilding developments. A "fresh and thorough" discussion among all parties under its aegis

could provide a catalyst for ideas

that could lead to lasting solutions,

Among initial measures put for-ward by Unctad economists is a

scheme for reducing world ship-building capacity by 20 per cent.

be underlined by the opposition in France, and not least by President

Mitterrand, who is anxious to exert

a stronger influence over foreign af-

The most likely explanation of

Mr Chirac's gaffe is that he got car-

ried away while talking off the re-cord - as he has been known to do

before. In involving the Israelis

through the mouths of the West

Germans, his aim was seemingly to

minimise the scope of the sanctions

against Syria.
Mr Chirac's Government has no

wish for strong measures against Syria, which it sees as a key ele-

ment in French policy in the Leba-

non, and in preventing terrorism in

France. But Mr Chirac is under

examined Hutton's finances, and to

be conditional on Shearson retaining most of Hutton's senior man-

agement. Shearson was said to

A link between Hatton and

Shearson would by some measures

create the largest securities firm in

we rejected these terms.

Hutton refused to comm the report yesterday, saying it had nothing to add to its statement.

support of Britain

ambiguity in French official atti- strong pressure to take action in

much fanfare in the northern city of Shenyang. The exchange, which bears a striking resemblance to a British betting shop, has two transaction windows, where bonds are sold. The bonds generate no interest, but buyers are entitled to parti-

cipate in a draw for an apartment Much publicity also surrounded the opening several weeks ago of a Shanghai "stock exchange," al-though only two companies have rered approval from the People's Bank to issue stock at the ex-change. Shareholders are restricted to a return of no more than 7.8 per

cent in dividends. The Chinese Government has al lowed such ventures as a means of persuading the masses to part with their money. Chinese are reluctant to put money in the bank because of fears for its safety and the Government has tried to get around the psychological block by allowing various banks to issue bonds.

A very senior Chinese financial official confided that it would be "a very long time" before China has a "real" stock exchange.

Kohl in regional elections

By David Marsh in Bonn

WEST GERMANY'S Opposition Social Democratic Party (SPD) yesterday suffered a crushing defeat in important regional elections in the

tive Christian Democratic Union (CDU) - ruling party in the Bonn coalition but in the Opposition in Hamburg for 30 years - last night gave Mr Helmut Kohl, the Chancel-lor and CDU chairman, another powerful boost in the campaign leading to the country's general

elections on January 25.

Last night's results, in which the SPD conclusively lost its absolute majority in the city, look likely to lead to several weeks of complicat ed coalition negotiations between the SPD and CDU over forming a

With much of the vote counted, of every sort of interest expense as losers have cried loud in alarm, which is gave the CDU the highest share of the vote with 42.4 per cent, up from 38.6 per cent in the previous Ham burg elections in December 1982. The SPD crumbled to 41.4 per cent from 51.3 per cent.

coalition with the Greens. The SPD last night looked likely to have 53 seats in the new Hamburg parliament, against 54 for the CDU and 13 for the Greens.

verely squeezed in recent months tween the increasingly self-confident CDU and the Greens - which

But the setback in a city regarded as one of the SPD's principal power bastions is also likely to be interpreted as another damaging indict-ment of the leadership style of Mr Johannes Rau, the SPD's candidate

ry poll. The Free Democratic party (FDP) the junior partner in the Bonn coourg parliament for the past eight Hutton, which was founded in San Francisco in 1994, reported a 22 per cent fall in earnings for the first nine months to \$43.6m years - last night looked to have failed again to cross the 5 per cent hurdle necessary to win a place in the city assembly years - last night looked to have failed again to cross the 5 per cent

stop taking drinking water from the

Rhine, advised farmers to keep cat-tie away from the river and sought

to funnel the poisoned spill as

quickly as possible to the North

Boost for

northern city of Hamburg.

Sizeable gains by the conserva-

new government for the Hamburg

The anti-nuclear Greens ecology party boosted its share of the vote to 10.4 per cent from 6.8 per cent However the SPD last night ruled out any question of a Hamburg

The outcome cruelly underlined a growing dilemma facing the SPD on a national level. It has been seon both right and left flanks behas turned itself into the natural party of protest against nuclear en-ergy and other symptoms of the German industrial state.

Local issues, including a series of municipal corruption scandals implicating top SPD members, as well as the row over the near-bankrupt Neue Heimat property group, clear-ly played a strong role in yesterday's Hamburg result.

yesterday that Shearson had of-fered to buy Hutton for between \$50 share or \$1.8bn. Hutton also report-edly wanted the offer to become World Weather



BY WILLIAM HALL AND CHARLES HODGSON IN NEW YORK

Rhine pollution spreads

Continued from Page 1

tries, published yesterday in Bonn of Water Works ordered cities to by the SPD, accused Sandoz of not taking adequate safety precautions in the chemical warehouse where the fire broke out. The report was drawn up after experts from the as-sociation visited the works last

Water authorities along the Rhine, which have closed down river-side pumping stations to protect water supplies, have ruled out any general shortages. Several areas have, however, brought in emergency procedures, with supplies in two small towns near Bonn on off, and children and animals being kept away along its entire ength of the river

delta were to be closed to keep the band of polluted water from washing into estuaries where fish could be endangered. River fishermen were advised to halt their activities until the pollution passes but there

is not expected to be the same numbers of dead fish as in Germany. The level of toxic chemicals in the river at Lobith on the Dutch-German border was six times as high as normal vesterday.

THE LEX COLUMN

No shelter from the storm

LAST WEEK'S Democrat recapture of the Senate may make every cur-rent assumption about the monumental US tax reform as full of holes as an old-fashioned real estate tax shelter. But that has not stopped the armies of investment professionals doling out advice on every subject from deductions on vacation homes to the earnings of furniture companies.

Most of America is aware that the Act is supposed to shift the bur-den of taxation - to the tune of some \$120bn - from individuals to companies, or rather their shareholders and employees. Tax bands for individuals have been reduced in number and severity, with a top rate of 28 per cent, while the corpo-rate rate will fall from 46 per cent to 34 per cent at the expense of all manner of very generous deduc-

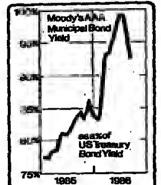
In fact, high-earning individuals will pay a 5 per cent surcharge so the top band is nearer 33 per cent than 29 per cent; IBM is not about to become a partnership. But capi-tal gains will be treated broadly as

Churning

The market has had no difficulty at all in churning portfolios out of the sectors expected to lose out (real estate, property/casualty in-surance, smokestacks and banks) and into the winners from the ser-vice industries, retailing, high tech and even tobacco. Relative yields on tax-advantaged bonds were ris ing as long ago as spring 1985, as

What the market cannot agree about is the big-ticket stuff; whether the reform will truly be peutral in revenue terms or will be rapidly adjusted in deficit-cutting exercises of the Gramm-Rudman type, what will happen to savings and investment and what the national balance-sheet will look like a year or two away after the luge. istortions of the transition period.

The most striking thing about the Act is its most un-American dislike of debt. But for the old system of high nominal tax bands, rising interest rates would have bust America in the early 1980s; but the offset



nicest neighbourhoods, as owners scrabble to realise their capital gains at the old 20 per cent rate besumer credit sustained a leveraged fore New Year's Day. Whether such culture, exhorting households to suffering industries as steel or all gear up to the hilt - the household and gas should be regarded in the savings ratio is only just positive - while companies were converting could be argued that they would have adjusted to excess of capital in their markets more efficiently and even less painfully without their tax equity into debt in leveraged takeovers or stock repurchase schemes. Once the new tax rates are even less phased in and the only deductible cushions. household interest is mortgage pay ments on a mere two houses, will be less urge for the public to-Retirement

Borrowing

As the net cost of borrowing rises, companies and households will look more carefully where they

invest their money: the retro-active

abolition of capital allowances and longer depreciation schedules all

round means that steelworks, bro-

ken-winded racehorses and Upper

East Side high-rises have already

gone to a discount. Much of the re-

cent merger and acquisition activity

borrow so as to sweet up its aftertax return. Companies might as
well pay dividends on their equity
rather than gear up on retained
profits to offer shareholders capital
mend accounts have been hammend described a remend of the count gains taxed at the same rate. Fall- cipe for saving. In the very short ing after tax rates of return un investment will no doubt make the month, the cash from cheap capital gains and the remaining tax privi-US economy less resilient to high leges on consumption might see a consumer Saturnalia even after the real interest rates - and borrowing more sensitive to monetary policy. motor-buying spree of the third quarter. Further out, the picture

Obviously, rollicking consump-tion and weak investment would be the worst sort of treatment for the US current account and the currency; but it may well be that the American public will soon wake up to the comparative virtues of savir over borrowing. A pick-up in capaci-ty use will engender corporate investment, tax or no tax. But if people decide that the main offset to higher savings is not to be higher in Wall Street may have been investment but an increased gov-brought forward to enjoy-the tax ermment deficit or a worsening our boost not only of junk finance but rent account, the present fax re-also of depreciating the target company's assets at stepped-up values. Hill- or not without renewed lobby Investors in the industries seen ing against that excessive saving as losers have cried loud in alarm, which has long been the hallmark

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday November 10 1986



INTERNATIONAL BONDS

FRNs struggle to stay afloat

TALK ABOUT reverse floaters and most lead managers spring to attended in the most lead managers spring to attend in the most lead managers and the most le tion with complex formulas linking coupons inversely to changes in Li-bor, much like Thursday's Y8.5bn issue for the Nordic Investment Bank, writes Haig Simonian in

However, the term had very different overtones last week for FRN traders struggling to control a mer-

ket plunging headlong into the drink. In the circumstances, reverse float sounded more like submerge. With Limean and Libid-priced issues realing fastest, price falls were universal. Sovereign paper like the recent Belgium, New Zealand, Ireland and Renfe deals - all priced at Libid flat - lost as much as 40 to 50 basis points over the week. Even "dream names" such as Australia and the UK had a hard job finding buyers. The UK's \$4bn floater was being quoted at 99.20 late last week - 47 basis points outside its original 33 basis point fees. That shortfall alone has cost holders \$18.8m on aggregate, according to the calcula-

The reasons were clear. Libidbased paper costs money for banks cing at Libor pins in helped the bargain hunters around on Thurs-funding themselves at or above Libor. Accepting a cost of carry may was trading exactly on its fees at the sector shed another 5 to 10 basis

there is the chance of a currency play, but not when there is a heavy overhang of paper.

come. Japanese buyers' slimline slow start might trigger problems appetite for long-term US Treasury for the entire sector this week. Bonds at last week's auctions de-pressed a market which had al-the first place? Predatory mandate ready discounted healthy Japanese buying interest. Friday's US unemployment figures, suggesting a rather more buoyant economy than expected, added to the gloom as interest rather than one buying interest rather than the first place? Predatory mandate the first place? Predatory mandate that the first place? Predatory mandate terest rate cuts receded. A marked absence of retail demand for float- its from Limean and Libid issues ing rate paper throughout the week as many investors remain chary about the dollar's stability brought about the dollar's stability prougate to a close a bad week in the FRN market. At least the rumour that the first place? In the present market circumstances, what difference ket circumstances, what difference tradcern about too many perpetuals, proved to be unfounded.

Libor-based paper also suffered. though by no means as heavily as Limean and Libid issues, with falls of around 5 to 10 basis points. Not even rarity value and generous priMeanwhile, Citicorp's perpetual

issue was trading at 99.50 to 99.55, play, but not when there is a heavy helped to some extent by the relatively small number of US bank. There was gloomier news to FRNs. Some dealers suggested its

they could make good trading profagainst this summer's bullish market when expectations of US inter-

ing at par and a heavily discounted Libid note – except that investors psychologically prefer the yield of the Libor-priced paper?

The prospects for a continuing bloodbath in the FRN market this week look fairly high. There were

points in Friday's trading. Plenty of paper has been finding its way back to lead managers as demand re-mains weak. Moreover, the prospect of further interest rate cuts is now much more limited.

On the other hand, there are still borrowers in need of money despite the usual downturn in activity towards the end of the year. There are always opportunistic lead managers spotting issuing windows.
Moreover, some may still be ready
to hold paper on their books.

Elsewhere, the Australian dollar sector showed signs of firmness to-wards the end of last week. Leadmanagers took advantage with three new issues on the back of a very firm exchange rate, a healthy domestic market and favourable Swiss and German Press comment. Australian dollar Eurobond volume is still not up to its April-May nighs but business is running at around twice the level of three to four weeks ago, according to Hambros

Meanwhile, fixed US dollar Eurobonds were flat over the week, with prices rather lower on Friday, especially after New York's opening. West German and Swiss markets

EURONOTES AND CREDITS

Bankers face still lower facility fees

A FURTHER downward shift in fa- is now perceived to have been well cility fees for Euronote loan facili- and truly broken. The level of the ties seems in prospect following the facility fee is a key ingredient to the tight terms announced last week on a \$200m deal for Rhone-Poulenc, the French chemical company, writes Peter Montagnon in London. 4 basis points flat for its seven-year facility for Spanish state railways, deal, which is better than rates so expected to be given a mandate this far obtained by French state agen week. Expectations are that they cies. Although many bankers re- will be extremely tight, although Guaranty are also arranging a dealers on a £100m programme ungard this fee as tight, expectations one saving grace is that the deal is \$200m, five year facility for Fire- der which paper can be issued in

terms of a loan facility as it represents the bread-and-butter return to

banks over the life of the deal. Now bankers are looking to see Rhone-Poulenc is paying a fee of what the terms will be on a \$300m A number of fairly sizable opera-

The basic message is that the five tions are in the pipeline, including Tricontinental Corporation, a on a £200m certificate of d basis point barrier for facility fees operations for Algeria and Camer unit of State Bank of Victoria, is arcility for Banco di Roma.

date on a \$120m World Bank co-financing deal shortly.

Meanwhile there is a fairly

steady flow of corporate facilities entering the market. These include a \$300m, seven-year deal for Trans-Canada Pipelines led by Morgan Guaranty with a facility fee of 10 hasis points and a maximum margin of 15 points. CIBC and Morgan

ranging a three-year \$150m deal through Chase Asia and AMP Capital Markets. This carries a 71/2 point facility fee and a maximum margin of 15 basis points over Libor.

Laird Group has become the latest UK company to announce plans to tap the sterling commercial paper market. It has appointed S.G. Warburg and Samuel Montagu are that office borrowers will try to likely to be on the short side with a mans Fund of the US which carries sterling or in US currency. S.G. ratchet down the terms in a similar maturity of only six years.

A number of fairly sizable opera- and a facility fee of 8% points.

Samuel Montagu are also dealers Tricontinental Corporation, a on a £200m certificate of deposit fa-

Insurance broker incurs loss of \$900,000

By Our New York Staff

ALEXANDER and Alexander, the world's second largest insurance broker, reported a third-quarter loss of \$900,000 after taking a \$16.6m charge from discontinued operations.

continuing operations was \$15.7m or 38 cents a share, compared with \$17.4m, or 46 cents a share, in the same period last year.

A loss from discontinued operations of \$15.3m in the year-ago quarter made the final net \$2.1m or cent per share.

Operating revenues increased to \$267.4m from \$236.3m last time. For the nine months, the company showed net profits of \$44m, or 99 cents a share, against \$23.5m or 63 cents a share in the 1985 period on

revenues that rose to \$786.4m from

A&A also announced yesterday ettlement in a case brought against former auditors of the Alex-ender Howden Group. A&A said the settlement provided for the payment to A&A of \$24m by Josolyne Layton-Bennett, De Paula Turner Lake and Peat Marwick Mitchell

EUROSLARICET THE

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use	24,367.3	1,488,3	12,164.9	6,801.7
Secon	dery Merica	rk .		
Prev	1,476.1	9.8	-	27.8
Other		173.4	41,8	89.3
Prev	3,900.6	170.9	1,343.8	3,126.0
U8\$	805.9	624.3	1,328.1	3,845.8
	ry Merket Straights	Come	FRN	Other

Source: AIBD

Wickes buys big textile producer in \$1.16bn deal

ing producer of textile products, for \$1.16bn in a cash merger.

Wickes said it would begin a tender offer today for approximately 21.8m Collins & Aikman shares out-

standing at \$53 per share.

Mr Sanford Sigoloff, Wickes chairman, said that New York-Mr Sanford Sigoloff, Wickes chairman, said that New York-based Collins & Alkman would operate as a separate unit with its unsuccessful \$2.1bn cash offer for

Own management team.

Collins & Aikman, which produces textiles products and wall based National Gypsum was rejectcoverings, reported net profits of ed. \$66.4m last year on turnover of In its last financial year ending in \$1.1bn. Its stock closed \$2% up at January, Wickes made profits of

Wickes, which filed for Chapter day. 11 protection from its creditors in April 1982 when it reported a Collins & Aikman was an excellent a big acquisition since emerging from bankruptcy proceedings in

Owens-Corning Fibreglas. Earlier Wickes' \$1.23bn offer for Dallas-

Mr Michael Blumenthal, Bur-

rough's chief executive, said yester-

day that under the restructuring plan Burroughs would retain Mem-

orex's technology in "high-end storage devices," thus giving it a

"strong proprietary position in this

Mr. Ronchi said last night that the

parts of Memorex being sold by

Burroughs had remained profitable throughout and it was intended that

the new Memorex would seek a

stock market listing in New York

key element of total storage sys-

tems technology."

WICKES, the US building products \$38 on the New York Stock Ex- \$78.1m on turnover of \$2.6bm. Its and retail group, said it had agreed change on Friday before the anstock was unchanged at \$4.50 on the to acquire Collins & Aikman, a lead-nouncement.

American Stock Exchange on Friday before the anstock was unchanged at \$4.50 on the

> Mr Sigoloff said the acquisition of \$143.5m loss, has been considering fit not only because of the added dimension that it brings to Wickes home furnishings and automotive segments, but also because of the resulting synergy it provides with businesses within those segments." He added that Mr Donald McCullough, Collins & Alkman chairman,

would join the Wickes board. Mr Sigoloff said that the tender offer would expire on December 9 unless extended,

Duta property

Burroughs sells Memorex for \$550m

BURROUGHS, the Detroit computer maker, is selling the bulk of its formerly troubled Memorex computer peripheral operations for \$550m to an investor group which includes several senior Memorex executives. The bulk of Memorex is a step in its alternative to bulk of Memorex is a step in its alternati The new company, which will retain the Memorex name, will have its headquarters in London and manufacturing plants in Belgium, Ireland and southern France. It will

employ about 6,000. Mr Giorgio Ronchi, the Italian chief executive of the new group, said that it will fo-cus on the growing IBM plug compatible and media markets and will continue to operate in much the same way as in the past. Burroughs paid \$117m in 1981 for the California-based Memorex in a

move to acquire the necessary large disk drive technology for its mainframe computers. However, a new generation of memory storage disk drives ran into serious technical problems and resulted in heavy

placed under receivership DUTA, the publicly-listed property company controlled by Datuk Yap Yong Seong, a Malaysian busi-nessman, has been placed in receiv-Burroughs' decision to sell the ership, Reuter reports from Kuala

Lumpur.

The action was taken by Perwira Habib Bank. Coopers and Lybrand, that Burroughs will announce a the accounting firm, has been apbuyer for its aerospace and marine group before the end of the year in pointed receivers and managers. a move which could raise another

Last February, Datuk Yap, popularly known as Duta Yap, lost control of Sealion Hotels, his major publicly listed vehicle, when the Standard Chartered Bank, his main banker, appointed its own nominees to manage the company. This follows the discovery of big losses in share dealings by one of its subsidiaries, Sealion Investments.

For the year ending December last year, Duta has accumulated losses of 9.33m riggit (\$3.5m) and loans of 30m ringgit of which 6m is

Shareholders funds amounted to and London as soon as possible.

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19th September, 1986

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US MONEY AND CREDIT

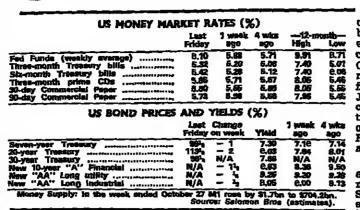
Re-funding rush hits government bond prices

PRICES in the US government bond market fell by more than two points in some cases last week, but traders blamed the sell-off on indigestion problems associated with the November refunding rather than the out-come of the mid-term US congressional elections.

Analysts had been expecting a much cleser battle for control of the Senate and had also been ur the senate and had also been anticipating that the recent cut in the Japanese discount rate would cause Japanese investors to snap up the lion's shars of the US government paper on affect the state of the state the US government paper on offer at last week's auctions. In

both respects, the forecasters were rather wide of the mark.
Mr David Jones of Aubrey G.
Lanston coted: "Street professionals made the initial mistake of rushing in and bidding the comments for the Transfer. take of rushing in and indusing too aggressively for the Trea-sury's record-sized \$29bn re-funding package and leaving retail investors (both domestic

retail investors (both domestic and foreign) in the dust."
The performance of the various issues underlines what happened. A week ago the yield on the new three-year notes (6) per cent, due 1939) was being quoted at 6.45 per cent on a when-issued basis and the yield or the 74 per cent happened. A week ago the yield on the new three-year notes (6% per cent, due 1989) on the \$925bn of Treasury 7½ on the \$925bn of Dreasury 7½ on the \$925bn of Treasury 7½ on the price of the new long per cent on a when-4ssued basis and to 7.5½ per cent but this was the yield on the 7½ per cent on the cough to entice Japanese investors, who are estimated to 30 basis points above the midweek auction levels. Meanwhile, the price of the new long bond had slipped to 98½, where it yields 7.66 per cent. At this not ecough to entice Japanese level it is yielding soma 25 to 30 basis points above the midweek auction levels. Meanwhile, the price of the new long bond had slipped to 98½, where it yields 7.66 per cent. At this not ecough to entice Japanese level it is yielding soma 25 to 30 basis points above the midweek auction levels. Meanwhile, the price of the new long bond had slipped to 98½, where it yields 7.66 per cent. At this level it is yielding soma 25 to 30 basis points above the midweek auction levels. Meanwhile, the price of the new long bond had slipped to 98½, where it yields 7.66 per cent. At this level it is yielding soma 25 to 30 basis points above the midweek auction levels. Meanwhile, the price of the new long bond had slipped to 98½, where it yields 7.66 per cent. At this level it is yielding soma 25 to 30 basis points above the midweek auction levels. Meanwhile, the price of the new long bond had slipped to 98½, where it yields 7.66 per cent. At this level it is yielding soma 25 to 30 basis points above the midweek auction levels. Meanwhile, the price of the new long bond had slipped to 98½, where it yields 7.66 per cent. At this level it is yielding soma 25 to 30 basis points above the midweek auction levels. Meanwhile, the price of the new long bond compared to 98½, where it yields 7.66 per cent. At this level it is yielding soma 25 to 30 basis points above the midweek auction while, the price of the new long bond compared to 98½, where it yields 7.66 per cent. At this level it is yielding soma 25 to



on the first two issues.

The average yield of 6.42 per cent oo the three-year notes was the lowest in 10 years, and the 10-year notes were sold at an average yield of 7.25 per ceot. Sensing that demand was not proving to be as strong as anticipated the average yield on the \$9.25bu of Treasury 71

enthusiasm was such that with the \$6bn-plus they intraders drove down the yields vested in the May re-funding, for example.

By the end of the week investors in the new Treasury issues were nursing heavy losses on their investment and the everage yields on the threeand 10-year issues had risen

The indigestion in the US Reserve will probably delay credit markets was not helped by Friday's oews of an un-expectedly large 298,000 increase in conform payrolls in October following an upward hational product will grow by revision in the September 2 per cent or less in the first figures. Aubrey Lanston's Mr quarter of 1987, "which loaves Jones senses that "a major change in the market's perception of the cear-term economic outlook and prospective Federal Reserve responses appears to be under way."

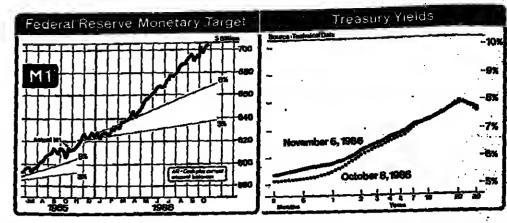
He says that the latest economic data reinforce the more positive tone of earlier September data on construction spending, factory orders, leading economic indicators, and oew homes sales. They also follow a welcome drop in the size of the monthly US trade deficit.

Analysts are now talking in terms of the pace of US economic growth rising from the 2.4 per cent in the third quarter to porhaps 3.5 per cent in the current quarter. As a result, hopes of an early cut in the discount rate are fading fact. The Work Courage here. fast. The West Germans hava made it clear that they will oot follow the Jepanese and cut their discount rate and the increasing feeling on Wall Street is that the Federal

any further interest rate cuts until the new year. Smith Barney, for example, balieves that the US gross open the good possibility of a discount rate cut of thot time." However, most analysts believe that the Federal Opeo Market Committee meeting last week probably voted to leave monetary policy unchanged.

One piece of good news for the credit markets has been the believe the delivery to the credit markets has been the committee of the commit

behaviour of the dollar in the aftermath of the elections. It remained remarkably stable at around DM 2.06 and Y163 following the news that the Democrats now control both Houses of Congress. Nevertheless, the recent stability of the US currency has surprised some foreign exchange experts who still think that it could resume its downward decline in the not too distant future.



On the political front, the and its aftermath is "probably general view on Wall Street is that iast week's election results were a "non-event," in the short-term of least. Mr Michael Metz of Oppenheimer and Co says that he does not think that the outcome will lead to any Metz of Oppenheimer and Co says that he does net think that the outcome will lead to any significant change in edministratico policy nor does ho think that it will force the Govern-moot to "address the real

Dr Allen Sinai of Shearson Lehman Brothers says that the real importance of the election

"the politics and economics of the US in 1989 and 1990." However, over the next few weeks the US credit markets will be taking less notice of the political power plays in Washington than the behaviour of the dellar and attempts to fix the price of oil ot around

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105% 116% 116% 109% 107% 107% 116% 116% 111% 97% 101% 110%

Chg. out

\$18 o barrel. On the economic fruot, the main interest this week will be the release of the October industrial production and rotali sales figures. and rotail sales figures, scheduled for Friday morning. The absence of cut rate financing is expected to have led to 0 drop of around 3.5 per ceot in retail sales while industrial production is forecast to have risen by around

1084, 1074,

Taid B.22,774 8.05 12.27 7.25 15.22 17.25 15.22 17.25 15.22 17.25 15.25 12.25

William Hall

FT/AIBD INTERNATION AL BOND SERVICE

Judgment reserved on Chancellor's strategy

ket can pehaps be congratulated for avoiding the trap of judging ment on its electoral merits. A week is always said to be

a long time in politics and, even if an electico is called as early as May, it would be another six months at least before the Chancellor's strategy is judged by the voters

It was only three weeks ago that Mr Lawson's Mansion House speech was accorded such disapproval that sterling fell to a new low against the D-mark.
Since then, the pound has made
e steady recovery, although
nothing has fundamentally

Two factors entirely beyond tha control of the Treasury opinioo polis are notoriously came to the rescue — the surfickle. The BBC Newsnight's prise dismissal of Sheikh latest poll on Friday showed Yamani and the eccord between Labour still holding on to a Japan and the US — but neither marginal lead over the Tories.

definitely.

Oil prices did firm but no happily brushed aside tha totally one can be sure this will last. minor miracles of Mr Lawson's What

is so eften the case with this divided cartel, nothing is certain. As for the US/Japan pact, senior British monetary officials said at the time it should have no impact either

on sterling or on British interest rate policy. Those opinion polls showing the Conservatives in the lead also gave a fillip to the pound. And no doubt they provided a more sanguine background to frankness last Thursday about missed spending targets. But The foreign exchange and UK

16th July; 1986

The sense of excited anticipation is rather like that of will slow to 21 per cent next modern children panting for year. Another key assumption is that sterling stays at current Christmas appears in department store grottos in mid-rates if needed. mont store grottos in mid-October. It is a long wait.

modest, was at least a taster of the deep worries about the Chancellor's "trust me"

There is no doobt that the tolerance of the current consumer boom, surging bank lending and extra spending and likely tax cuts next year amount to a high growth strategy and cent growth next year is not What seems clearly optimistic

This announcement appears as a matter of record only.

Signs suggest that there has been a shift in the priorities of the Organisation of Petroleum Exporting Countries and a serious attempt will now be made to boost prices. But, as

The prediction of a modest There may be something of this in the gittedged market as well. But the decline in prices at the end of last week, however respond swiftly to demand

Much of this uncertainty is probably adequately provided for in corrent long gift yields, and if sterling continues to be buoyed by political factors, the glit market may be able to make some headway. But pre-dictions of a £10bn public sector borrowing requirement next year by several City securities houses will keep the lad on any outright enthusiasm for gilts. **Janet Bush**

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Seskatchowse 11% 89 100
Saskatchowse 11% 89 100
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Den Danske Bank

October, 1986

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\$200,000,000

71/4 % Notes due October 16, 1989

Goldman Sachs International Corp.

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Crédit Lyonnais

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October, 1986

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Can. \$200,000,000

93/4% Notes due 1991

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IBJ International Limited

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Yamalchi International (Europe) Limited Yasuda Trust Europe Limited

October, 1986

SWISS EQUITY WARRANTS

Novel instruments catch on immediately

BY JOHN WICKS IN ZURICH

A NEW concept has been intro- for-one or 10-for-one basis after a duced to the Swiss equity market in the past few days - and has caught on immediately, On October 31, BZ Bank Zürich announced the placing of 100,000 covered warrants exchangable against registered shares of Ciba-Geigy, the Basle chemical company. Within less than a week four similar placements followed and more seemed to be on the way.

In each case, shareholders of the companies in question have provided a pool of shares to be frozen on a blocked account until the warrants are exchanged or expire. These shareholders receive the price of the warrant and the eventuearning dividends in the meantime and retaining full voting rights. The warrants are going primarily to institutional - and foreign - in-

vestors, although growing specula-tive demand will probably soon put many of them in the hands of individuals at home and abroard. Warrant-holders are entitled to ex-

given date and at a pre-determined share price. This is higher than present market quotations but will almost certainly lie substantially below the price prevailing when the three year warrants mature.

Although the idea of covered warrants is by no means unknown elsewhere, the Swiss version is something special. At least initially, it refers specifically to registered shares, which play an important part in the Swiss stock market but those ownership is carefully limited. Entries into the corresponding share register are watched over jeakusly by the issuing companies, particularly with a view to re-stricting or prohibiting voting rights from passing to foreigners.

Such in-built precautions became significant not least during the Second World War and at the time of the massive petro-dollar recycling of the 1970s. Although unregistered shareholders do, of course, still receive dividends, probably no

overall registered-share volume is will for registration considerations, their shares for the duration of the currently held by foreigners and doubtless finish up aimost entirely warrant, for example, in effect lose other unregistered interests (ie "un- in Swiss portfolios. welcome" Swiss shareholders).

The warrents are thus very attractive for foreign investors. Although these will be unable to register any shares purchasable against their warrants, they do have the likelihood of buying shares at a guaranteed price which can be expected to be well below the actual 1989 quotation plus the warrant premium

According to Mr Martin Ebner, one of the founders of the young and innovative BZ Bank Zürich, the registered share warrant has a number of advantages. He sees it as anticipating structural alterations in the Swiss market – where traded options business is to begin in 1988

- and at the same time helping to popularise equities with such Swiss stitutional investors as the hither-

to ultra-cautious pension funds.
This reference to Swiss investors underlines the fact that the shares involved in warrant transactions

Apart from this, Mr Ehner points to the opportunities for "irustrated" investors in London and other foreign centres who now at least have a chance to ride along with the upwardly mobile registered shares for a couple of years. He says this should also stimulate the prices of registered shares, traditionally well below those of bearer shares of the same company and with an unrealistically high yield.
Other banks have also realised

the virtues of covered warrants. Swiss Bank Corporation, Crédit Suisse and Bank Vontobel all placed warrants last week, as did BZ Bank Zürich in a second series, this time for Nestie. Union Bank of Switzerland had indicated that it could be interested.

Mr Georges Streichenberg, a general Manager of Swiss Bank Cor-poration, points out some possible

their power to dispose over their holding for the period – and run the risk of having to buy it again in poor market conditions at maturity.

Mr Walter Zeller, head of the financial department of Ciba-Geigy. for instance, admits to "certain misgivings." The warrants, he explains, have again raised the old question as to what would occour should a substantial number of registered shares pass to investors unable to be entered into the share register.

The Swiss Bankers' Association is also looking at whether it ought to issue some sort of recomme tion to members in respect of the sales of registered shares to interests unable to be entered into share registers. At least some sort of warning is thought to be called for. It is also unclear as to whether the existence of the warrants would limit the freedom of companies to issue their own warrants. disadvantages of the covered war- sary in connection with bond bor-

GTE set to thwart takeover bid with share repurchase plan

GTE, the US telecommunications GTE also announced an increase planned to resell 5m of its repurand electrical equipment group, has in its quarterly dividend of 19.5 chased shares to meet the requirements of its employee stock purunfriendly takeover bid by announdividend is \$3.66 per common share. chase and savings plans. cing a buy-back of up to 10m shares. Last month the company an-

lowed "unusual share accumula- Under the stock repurchase tions in GTE stock on the part of scheme GTE will reacquire its one or more purchasers, according shares from time to time on the 4 per cent of the company's 120m

NEW INTERNATIONAL BOND ISSUES

Digital Equipment, the US mini-

The repurchase plan, which accounts for 4.7 per cent of the company third quarter net profits to \$25m, planned to buy back up to 5m company's stock and could cost \$620m, followed "market belowed "market all colors and could cost \$620m, followed "market belowed "market all colors and co

The repurchase plan covers about to Mr Theodore Brophy, chairman. open market. The company said it common shares outstanding.

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BankAmerica unit sought by consortium

By Alan Friedman in Milan

A CONSORTIUM of 209 banks which are members of the Visa credit card system in Italy has told the Bank of Italy it would like to be cous sultor for Banca d'America e d'Italia, the Italian bank subsidiary of the US BankAmerica

Mr Mario Giglio, managing director of Sardinia'a small Banca Popolare di Sassari, said at the weekend, however, that he thought the Italian central bank would probably prefer to see a foreign buyer for the BankAmerica subsidiary. The asking price is around L900bn (\$640m).

Mr Giglio said he thought the

central bank would not wish to see an outflow of this amount from Italy, which would be the case should an Italian institution acquire the Bank-America unit.

Among the potential buyers of the 98-branch BankAmerica subsidiary are Deutsche Bank, Citicorp, Dresdner Bank Midland Bank. and Banca Com-mercial Italia.

Outokumpu set for FM 200m loss in year

OUTOKUMPU, the Finnish priations and taxes. Meanwhile mining and metallurgical com-pany, expects to incur a loss of FM 200m (\$40m) this year in the wake of the dramatic fall in metal prices. In 1985 Outokumpu produced a profit of FM 329m before appro-

consolidated turnover rose by 35 per cent to FM 4.6bn for the period. This is mainly due to acquisition of Metallwerken and Wirsbo Bruk, two Swedish copper refining companies, and prizuone and taxes.

The group turnover for the The result for the first eight year is expected to grow by months of the year shows a 45 per cent to FM 7.5hn from loss of FM 100m before appro-

kumpu's president, says that the company had expected this year to be worse than 1985 but was still surprised by the dramatic fall particularly in the prices of nickel and cobolt. eNosis, Finland's largest privately held company, will sell its industrial electronics

Mr Pertti Voutilainen, Outo- Professor Pentti Kouri, advisory director of First board of directors at Nokia.

The deal includes automation energy production as well as instrumentation. Aroual turnover of these sectors totals FM 200m and they employ some 500 people. The purchase to the Firmish company some 500 people. The purchase Catalyst, which is controlled by price has not been disclosed.

Hartogen Manila award

drilling of one well in conjunc- Staff

Corazon Aquino.

The operations will mark the resumption of oil exploration through a planned placing of a in the Philippines which stopped completely in 1984.

With Australian Gas Light The project, which will cost Company (AGL), the New South about US\$5m. initially involves Wales utility, Our Financial

Advance at Power Corp.

HARTOGEN ENERGY, the tion with local partners which Australian oil and gas explorer, have agreed to take a 50 per has been awarded a licence by the Philippine Govarnment The consortium aims to drill covering 1.4m bectares offshore in shallow water in the Sentry in the south of the country, the Bank reef prospect of the Sain first such approval granted by Sea about 500 miles (800 km) the administration of Mrs South-west of Manila.

On Hartogen ENERGY, the tion with local partners which Canada, holding company of Ganada, holding c

Power Corporation's nine-month net earnings were CNST-9m (USNTO.5m) or 75 cents a share against C\$82.4m or 70 cents a year earlier. Thirdquarter earnings were C\$31m or 23 cents a share against C\$28.6m or 24 cents. These

share against C\$85.im or 98 cents, before special gains of C\$137m against C\$1.7m, also arising from sale of shares in a subsidiary.

Power Financial has been undergoing a restructuring this year. The control of three finan-cial institutions will as a result be held directly by PFC,

NOVEMBER 1986

All of these securities having been sold, this announcement appears as a matter of record only.

The City of Gothenburg

Yen 8,000,000,000

8½% Notes due 1991

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this Notice all limits a March : Entrype it Baria Eurie 34 Lucy Kellaway examines the bid to break up Imperial Continental Gas Convincing shareholders to stay in

The first time restive share-holders suggested that Imperial Continental Gas Association should be broken up and some should be broken up and some of its assets sold, the management violently opposed to any such scheme, succeeded in convincing the dissenters that their long-term interests were better served by keeping the company in one piece.

However, that was more than

150 years ago, and shareholders in 1826 were a pushover, know-ing nothing about bid battles, let alone about leveraged buy-

This time the management will have to fight much harder if they are to thwart Gulf Resources, the pint-sized US company which is trying to buy IC Gas with a view to liquidating about half of its assets.

It could be argued that IC Gas is such a natural for a breakup plan, standing on three legs which barely touch at the top, that it is remarkable that no one had thought of it before. no one had thought of it before. There seems little overlap between its Calor Gas subsidiary, its portfolio of Belgian interests, which incinde minority stakes in Petrofina and three Belgian utilities, and between Century Power and Light, the North Sea oil and gas company, of which IC Gas owns about 60 per cent.

While Burmah Oil, which with its Castroi Oil subsidiary is the nearest stock market equiva-

nearest stock market equivaient, has been a favourita take-over candidate for more than over candidate for more than 10 years, IC Gas has passed un-noticed until about a year ago. Indeed, with sales of about 2500m, IC Gas "may have been the market's largest forgotten stock," says David Gray of James Capel, Until 1980, the City was only dimly aware of the company—information was scarce about its doings, it had a loyal base of steady share-



Mr Michael Rendle, deputy chairman of IC Gas

hoiders, and the little turnover in the stocks was handled by the company's own brokers. the company's own brokers.
When the oil started to flow from the North Sea fields in which Century held a stake,
City analysts turned their attention to IC Gas for the first time. They found less of an energy group than a staid holding com-pany which over the years had new investments and divesti-

tures.

Its Belgian portfolio is a hangover from last century when IC Gas consisted of a string of European ntilities most of which were subsciently lost through most of sequently nationalisation.

The company took on its present form in the 1960s, when Century was established to exploit the new gas finds in tha North Sea, and when IC Gas

Imperial Continental Gas Share Price

UK COMPANY NEWS

took full control of Calor Gas. Sinca the 1960s, Calor, which even then was thought to be a mature business, has continued to grow, breaking into new markets and becoming increasingly efficient. Century acquired stakes in the major producing oil fields Forties and Maureen, and by 1985 was making profits of £31m, while the Belgium investments year after year produced a steady if unexciting stream of cash.

on the whole things have bumped along peacefully for tha company with two exceptions. First, it decided to broaden its base, and — against the advice of the City — piunged ioto the purchase of CompAir, a manufacturer of compressed air equipment. No soonar bought, than CompAir fall into recession, and after a

sold last year for less than IC Gas had paid for it. tunities exist or to exploit the scope for High Street show The second upset has been

the fall in the oil price which has reduced to almost nothing Century's ilkely contribution to profits. However, this will be offset at least in part by the effect of low oil prices on gas purchase costs.

happy effect of lower oil prices on Calor's gas purchase costs. The Compair sale left the company with cash and a publicised intention to try again at establishing a fourth leg to the group. Mr Michael Rendle, an ex-managing director of BP, was brought in and is now leading the search, which he says could involve some kind of branded product, and perhaps something with bases io Europe. So far nothing has been found,

and IC Gas is not going to rush into anything.

A few mooths ago shareholders thought this mixed has of prospects was worth about \$80p a share. Enter the Barclay twins, tha British investors behind the Gulf bid, and they find they are now being offered

530p. If IC Gas is to persuade them from accepting such an offer, it must first convince them that it is too low, which might than produce a higher offer neither from Gulf or from elsewhere. But if it wants to keep its independence it must be sble

to demonstrate the efficacy of the group in its present form. Mr David Barclay challenges
IC Gas on a number of
grounds, complaining that:
CompAir was a "disastrous bode well for future acquisi-

company missed a show them that there is more of Calor has failed to market in it for them if they stay in." itself in Europe, where oppor-

opportunity" in not floating off Century early last

The higher profit likely to be produced by Calor this year is a windfall, arising from the

As far as Calor itself goes the record seems easy to defend On the management of the group as a whole, the case is less clear. If IC Gas missed the top of the oil cycle, then so did everyone else. However, its decision at the top of the cycle to make a major investment in the Major in the cycle. the T block in the North Sea, just before oil prices fell, was an unfortunate one.

an unfortunate one.

However, as the component
parts operate more or less autocomously it is difficult to see
what contribution is being made

what contribution is being made by IC Gas itself.

"The whole point of the holding company is that there is some value added to the ceotre, but with IC Gas, this seems to be lacking," says Mr Michael Unsworth of Smith New Court Agency.

Mr Michael Rendle would strongly deny any such claim

strongly deny any such claim, arguing that the group is well balanced between upstream (ex-ploration and production) and downstream (selling and distri-buting oil products). Further-more, he says that growth has been made possible by the Bel-gian investments which have provided financial muscle, and put up cash against heavy in-vestment outlays.

However, even Mr Rendle re-luctantly admits that the time may have come to sell the investment portfolio. "If our shareholders really want, we can do things to bring some of the cash forward," he says. How-ever, the eal task, he says is " to show them that there is more American Express Bank and Shearson Lehman Brothers are pleased, to announce the opening of their joint venture in Switzerland:



SHEARSON LEHMAN AMEX FINANCE

Alex Bridport, Managing Director Randy Epping, Director Bruno Friedemann, Director Rolf Winzeler, Director

7. Rue du Mont-Blanc 1211 Geneva - Switzerland Telephone General (022) 32 74 64 Telephone Sales (022) 32 75 11 Telephone Sales Telex 412 154 SLA CH

Bahnhofstrasse 20 8022 Zürich – Switzerland Telephone (01) 211 55 32 Telex 812 212 AXB CH



BRITANNIA SECURITY GROUP PLC

(Registered in England under the Companies Acts 1948 to 1976 No. 1388141)

Introduction to the Official List

SHARE CAPITAL

Issued and fully paid

Application has been made to the Council of The Stock Exchange for the whole of the issued share capital of Britannia Security Group PLC (formerly dealt in the Unlisted Securities Market) to be admitted to the Official List. It is expected that dealings will commence on 13th November, 1986.

...in ordinary shares of 10p each...

Samuel Montagu & Co. Limited 114 Old Broad Street London EC2P2HY

Panmure Gordon & Co. Limited

9 Moorfields Highwalk

London EC2Y 9DS

Authorised

Britannia Security Group PLC Oak House, 22-28 High Street Hythe, Kent CT21 5AT

Roy James & Co. Stock Exchange Buildings 33 Great Charles Street Birmingham B33JS

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FINANCIAL TIMES STOCK INDICES										
	Nov.	Nov.	Nov.	- Nov.	Nov.	0ct. 31	19 Hìgh		Since Co High	mpilation Low
	82.58	83.10	83.19	83.02	83.19	82.60	94.51	80.39	127.A	49.18
vernment Secs	89.02		89.15	89.11	89.15	88.87	97.68	86.55	150.4	50.53
xed interest	1317.2	1303.9	1296.1	1294.3	1294.1	1285.4	1425.9	1094.3	1425.9	49.4
dinary		291.5	300.7	281.2	271.3	277.2	357.8	185.7	734.7	43.5
ld Mines	300.1	70	813.16	810.98	811.26	807.27	832_39	664.42	632_39	61.92
-Act All Share	822.25	1648 5	1644.4	1637.7	1639.2	1632.1	1717.6	1370.1	1727.6	986.9
CE 100	1662.6	1 TO-102			_					

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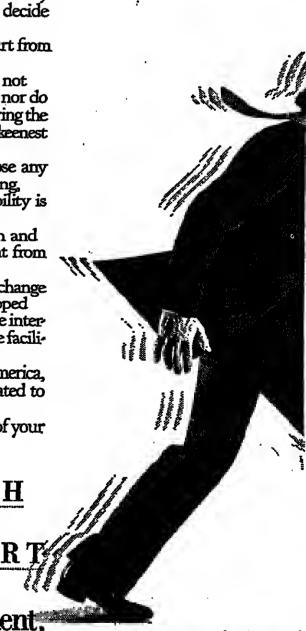
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Fast, decisive, independent





Virgin aiming to lead its field

MR Richard Branson's Virgin further \$3.08m.

Group plans to become the leading UK-hased international media and entertainment group selling records by mail order

Through the offer Virgin Group and its existing ordinary shareholders expect to raise a total of £55.6m net of expenses. Up to a maximum of 50m shares are on offer, just under 30 per cent of the expanded capital, at the minimum tender price of 120p. Applications, for which the minimum is 200 shares, close at 10 am on November 13. Of the proceeds of the Issue, \$28.5m will be used to supply the growing working capital requirements of the group. From the remainder Mr Branson will receive £19.66m, Mr Simon Draper (who is chairman of the music division) obtains £4.45m

Sedgwick Group, the London-based insurance and reinsur-

ance broker, has sold for £17.6m (\$25.1m) its Utah bene-

fit claims handling operation,

James Benefits mede a pre-tax profit in 1985 of £630,000.

Granville & Company Limited

8 Lover Lane, London I Telephone 01-621 1212

Sedgwick US disposal

Fred S. James, the North Sedgwick, which made £124m American retail subsidiary of pre-tax profit last year, de-

SPONSORED SECURITIES

Midland Bank plc

Notice is hereby given that the Rate of Interest has been fixed at 11-225% p.a. and that the interest payable on the relevant Interest Payment Date, February 9, 1987 against Coupon No. 3 in respect of £5,000 nominal of the Notes will be £144-54, and in respect of

November 10, 1986, London By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANC

£50,000 nominal of the Notes will be £1,445-41.

d Floating Rate Notes 2001

institutions.

according to the prospectus on to one which encompasses its offer-for-sale by tender record companies, recording which is published today. studios, music publishing, 86 record shops, film and video distribution, and satellite television broadcasting via The Music Channel in which it has a 15 per cent interest.

Over the four years to January 1985, group sales more than trebled to £119m and pretax profits on continuing activi-ties rose almost tenfold to £14.9m. For the year to July 31, the new year end, sales were £188.6m and profits £19.1m.

filss,6m and profits £19.1m.
Of the three operating divisions—music, retail and vision—
key-in profit terms is music
with a turnover in the year to
July of £118m, obout two thirds
of the group total. The division's
contribution to the £21.62m and Mr Ken Berry (who is contribution to the £21.62m managing director of the music group operating profit before division) will get £706.000. central costs was £20.2m in spirit family trusts in which the three of a £1.3m loss on concert are involved will receive a merchandising.

> scribed it last night as a highvolume, low-profit margin com-

puter intensive business handling medical benefits claims on

behalf of large self-insured US

The buyer is Alta Heath Strategies of Salt Lake City,

Granville Davies Coleman Limited

27 Lover Lane, London EC3R SDT Telephone 01-621 1212 Member of the Stock Exchange

entertalnment activities asso-ciated with Mr Branson, who presently owns 85 per cent of Virgin's ordinary shares, are to be included in the flotation.

en discontinued. Second, Virgin Atlantic Airlines plus associated small freight and tour operating businesses and the London night clubs and discotheques have been stripped out from the group and were recently group and were recently injected into a new private company, Voyager—which is to be owned by Mr Branson, Mr Draper and Mr Berry.

The two-plane airline lost \$2.8m in the year to July and wrote off \$2.14m of start-up costs in 1964.95 Lossas at the

wrote on 22.14m of stat-up costs in 1984-85. Losses at the companies now constituting Voyager totalled £5.1m in pretax to July.

comment The City has warmed to Virgin. side on the to date dull UK Fund managers and stock-retailing operation.

tributor of toys and home

improvement, garden and domestic hardware products, saw last time'a first half profits of £557,000 slump to a loss of £2.2m in the six months to

Turnover rose substantially from 27.6m to £31.7m. Losses in the year to December 31 amounted to £1.8m.

Mr Richard King, chairman, acknowledged the group's sub-stantial losses and said that

1986 was proving to be a most difficult year. However, as a

June 30 1986.

Fergabrook £2m loss

Fergabrook Group, the dis- result of rationalisation and the

Not all of the leisure and brokers who freely admit that they would not know one act in the Top Ten from enother, are enthusiastic to obtain shares in the tender and as long as the striking price stays around the First, development and pro- striking price stays around the doction finance for films have 150p level, there should be enough momentum left from the publicity campaign to ensure a healthy aftermarket - at least so the advisers must be ardently praying. However, the "former activities" also point up the risks any leisure entrepreneur runs. The stripping out of Voyager, the closure of film finance and the sale of the island improves the quality of earnings radically and will, hopefully, also ease the tax charge a bit. Virgin as floated has as its core a well diversified music rights business with o strong back catalogue from which to issue endless greatest

hits albums on compact disc and there has to be lots of up-

programme of disposals, borrow-ings had been substantially reduced to £5.3m as of October

31 from £11m on May 23 1986.

Mr King added that he was confident that the major problems would be put behind the company during the course of this year and he expected the

group to return to profitability in 1987.

losses per 20p ordinary share came to 8.49p (profit 2.13p). An unchanged interim of 1.2p will

Fergabrook paid no tax and

battle starts to hot up By Nikki Tait

The £153m bid battle for Midlands-based LCP Holdings is starting to hot up, Predator Ward White has disclosed that It is in negotiations with a US motor accessories stores groop and LCP is claiming that the bid will overstretch Ward White's balance sheet.

LCP bid

Ward White, whose UK interests range from the Owen Owen department stores to motor accessory retailer Hal-fords, confirmed yesterday that it is talking to the privately-owned Discount Auto parts chain in Florida. The company has some 65 outlets, annual profits of around \$4m, and Ward White is consider-ing paying around \$30m cash.

Mr David Rhead, chairman of LCP, is writing to Ward White shareholders, urging them to vote against the bid—and the necessary increase in Ward White paper

Ward White's gearing, elzims LCP, is currently running at around 80 per cent and funding further expansion could overstretch the

Mr Rhead accuses Ward White of having no clear plans for LCP's UK based businesses and claims that the managers of its US motor accessories business, Whit-lock, are profoundly dis-turbed" by the bid.

COMPANY NEWS IN BRIEF

ficial holding now 900,000. TSB Group — The following

directors acquired shares: Sir Ian Fraser 10,000; J. P. R. Holt 3,000; Earl of Iddesleigh 4,700.

3,000; Earl of Iddesleigh 4,700. Kellock Trust — Former directors purchased shares: F. G. Calonder 3,333 ordinary at 185p, 8,333 at 190p and 4,333 convertible preference at 1964p. J. N. Oppenheimer 8,667 ordinary at 185p, 16,667 at 190p, and 8,667 convertible preference at 1964p.

Crystalate Holdings — On October 31 the following directors sold shares: P. F. Deacop 17,750—he now holds 80,100:

17,750—he now holds 30,100; R. A. Opperman 11,000—he now holds 60,250.

HEALTH CARE (Hospital and residential) homes): Pre-tax profit £311,000 (£205,000) on turnover of £4.64m (£3.47m) for six months virgo stores refurbished and integrated into Wrygges division, and showing improvement fillog,000 (£80,000). Increased dividend anticipated for the year (0.75p) USM-quoted.

JUST RUBBER (synthetic rubber covered rollers); Interim dividend 0.64p (0.58p), Turnover £1,05m (£871,732) and pretax profits £294,231 (£253,686) for half-year ending July 31 1986. Earnings per 10p sbare 2.51p (2.4p) after tax £105,433 (£103,580). USM-quoted,

A. GOLDBERG (department stores)—Turnover for half year ended September 27, 1986 was £19.18m (£16.18m) and trading this time allowing for £168,000 TR ENERGY (investment

J. W. Spear - A. T. Vernon

Investments (a Canadian com-pany), has an interest in pany), has an interest in 207,000 ordinary (5.13 per cent). It is a private holding company of which Mr A. T. Vernon is sole shareholder.

Mr Vernon is a director of Udo Holdings - Director M. J. Wright disposed of 25,000

I.G. INDEX

FT for November

1,507-1,313 (+2) Tel: 01-828 5699

week includs:

SHARE STAKES

stakes announced over the past 65,000 on November 5. Bece-

Services loss for acquired Virgo units, management): Gross income idential) Associate £475,000 (£814,000 £2.04m (£2.34m) and pre-tax £311,000 then a subsidiary) and pre-tax deficit of £563,000 (£256,000 profit £465,000 (£424,000). All Virgo stores refurbished and profit). Net loss of £424,000 (£240,000 profit) after tax credit of £139,000 (£16,000 charge) to give losses per share of 1.8p (1p earnings).

FLOYD OIL PARTICIPATION KEYSTONE INVESTIGENT-Revenue yeer ended September (oil and gas explorer); Year to June 30 1986, turnover £2.03m 30 1986 came to £1.22m (£1.11m previous 11 months) before tax June 30 1986, turnover £2.03m (£4.34m), Administration expenses £320,208 (£241,668). Amortisation of exploration expenditure £457,374 (£358,289). Costs written off relating to relinquished acreage, £1.7m. Operating loss, £2.52m (profit £900,000). Interest payable £209,028 (£240,131). Tax credit £161,612 (debit £202,931). Extraordinary income £186,039. Loss per share 13.69p (profit 2,45p). £430,000 (£346,000). Investment income £1.57m (£1.25m). Earnings 5.48p (5.32n) per thare and final dividend 3.5p for net total of 5.5p (5p) after scrip edjustment. Net asset value at September 30, was 343p (adjusted 237p a year earlier),

F.T. Share Information The following securities have been added to the Share

Information Service.

Group Development Capital

Trust (Section: Trusts, Finance, Land).
Security Tag Systems (Electri- Town Contro Securities

The offer is three Trilion

agreed merger

Viewplan, the Docklands-based television and broadcasting equipment hiring company, has announced an agreed £6.7m merger with Trillion, which is also in the broadcasting ser-

shares for every four Viewplan. and values the latter at 61.5p per share. There is a partial cash alternative of 56.25p. On Friday, after news that Viewplan was in merger discussions, its shares leapt 23p

to close at 63p.

Trilion joined the USM in
July 1985. It is forecasting pretax profits of not less than
£925,000 (£431,000) in the year

BOARD MEETINGS

interime:—Amerghem International, Anglo American Cosi, Futura, Granyte Suriace Costings, King and Shaxeon, lew Throgmorton Trust (1983).

Final:—Drayton Consolidated Trusts Industrial

Lucus Industries.		
FUTURE DATES		
Interims:-		
British Telecom	Dec	11
Bulmer and Lumb	iNov	25
Capa Industries	Osc	2
Chamberlin and Hill	Dec	1
Hambros	Nov	25
Hampton Trust	Nov	
Harrisons Majayalan Plants.	Nov	
Moorgate Mercantile	Nov	
Skatchley	Nov	
Staveley Industries	Nav	
TR Natural Resources Inv. Tet.	Dec	
Thamas Talevision	Nov	
Volex	Nov	
Welpag	Nov	
Finals:		٠.
Australia & New Zealand Bkg.	Nov	
Beggeridge Brick	Dec	70

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus ") have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Announce-		Announce-
Oate	ment lest	Oste	mont lext
Nov 17 rish	Final 16 cts	Heath (C. E.)Nov 18	Interim 7.0
BanksNov 12	Interim 4.5	MottheyOec 4	Interim 0.5
m		*Kwik Save Nov 26	Final 3.4
tionelNov 10	Intarim 2.42	*LWTNov 13	Final B.232
opar		"Land 5ecNov 26	Interim 2.9 .
IndsDec 11	Final 4.0	London IntlNov 1B	Interior 1.5
Nov 19	Intarim 6.0	"Lucax IndoNov 10	Final due
	Interim 4.0	*MEPC	Final 8.0
	Finel 5.63	Metal BoxNov 18	Interim 6.1
0ec 11	Interim 3.0	*Meyer IntlDec B	Interim 1.95
	Interim 3.5 Final 11.0	Northern	Interim 2.8
Nov 26	Interim 1.78	FoodsDec B	Interim 4.25
	Interim 2.5	Bros.,.Dec 12	Interim 5.0
Nov 23	Final 6.3	Polly PeckDec 2	Final 3.75
elaseNov 20	Interim 3.5	OuffrynNov 21	Interim 4.5
Cons0ec 11	Interim 3.75	*RHMNov 19	Final 3.45
Dec 10	Interim due	RHP00c 12	Final 2.6
Oac 5	Final 3.95	Rothmans Nov 28	Interim dua
iaNov 26	interim 1.75	Royal Bonk	
Ingl Nov 27	Interim 1.7	ScotlandNov 28	Final B.O
p 0ec 5	Interim 2,B	Saatchi and	
11 vol et	loterim 8.25	SnatchfDec 4	Fine! 8.71
ParkOoc 2	Final 3.31	*5sinsbury (J.) Nov 11	Interim 1.4
Nov 25	Interim 1,2	*600 Gmup Dec 4	Interim 2.34
.)Nov 21	Interim 1.0	Smith and	
China		NophewDec 5	Interim 1.4
ClaysDec 12	Final 7,0	5miths IndaNov 12	Interim 4.7
Nov 21	Inturin 2.0	SkatchleyNov 18	Final 3.0
I, H.)Nov 25	Final 3.0	Stekis	Finel 0.8
Nov 28	Interim 0.56	"Staveley IndsNov 13 "StorehouseNov 13	interim 6.5
,,	Interim 1.4	Tate and LylaOec 11	Interim due Final 14.5
Nov 12	Interim 1.94	Tretaiger	
Dec 11	Final 4.57	HouseDec 2	Finel 5.1
tstesKov 12	interim 2.0	*UnigeteNov 24	Interim 3.45
W (421.1404 12	Internal 2.0	*VelorNov 13	Interim 1.356
hitleyDec 10	Final 2.853	VauxDec 10	Final 7.321
	Interim 7.0	Whesaos Oec 12	Final 3.0
		*WhithmadNov 19	Interim 2.25

EMAP Elliott English

marly Landon & Garimore Insessment Trust p.l.c.) as company under Section 366 of the Companies A (Regionared in England No. 427958)

INVESTMENT TRUST

Issue of 850,000 Warrants to Subscribe for Ordinary Shares of 50p in Gartmore European Investment Trust p.l.c. ntioned securities have been admitted to the Official List of The Stock Exchange.

Particulars of the Warrants are available in the statistical services of Extel Statistical Services Limited. Copies of the Listing Particulars relating to the Warrants may be obtained during normal business hours on any weekday (Samudays excepted) up to and including 24th November, 1986 from:—

Gartmore European Investment Trust p.L.c., 2 St Mary Axe, London EC3A SEP. Gartmore Investment Management Limited, 2 St Mary Axe, London EC3A 88P, de Zoete & Bevan, Ebbgate House, 2 Swan Lane, London EC4, Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2P 2BT (for collection only until 12th November 1986).

USM float puts value of £21m on TSB (CI)

today for the flotation on the USM of the Trustee Savings Bank (Channel Islands), hitherto a wholly owned subsidiary of the TSB Group. It will have a value of £21m.

The flotation has been struc-tured to encourage secount holders of the bank—which operates from nine branches in the Channel Islands—to buy shares. The issue has been heavily advertised on the heavily advertised on the Islands and 50 per cent of the shares has been set aside for account holders with priority

applications.

In the offer the bank will issue 13.36m shares at 70p each, with an additional 1.33m with an additional 1.33m reserved for a one-for-10 loyalty bonus three years hence. Therefore, 49 per cent of the bank'e equity wil be in public issue; its parent bank the TSB Group, will retain the rest. The TSB Group will also keep all the capital raised by the flotation.

The directors forecast pre-tax profits of £5.45m for the current

Viewplan in £6.7m

THE PROSPECTUS is published year producing a prospective pective net assets of £31m; today for the flotation on the p/e of 49—compared with the USM of the Trustee Savings original 7.63 for the TSB Group -and a gross prospective yield of 7 per cent.

Channel Islands residents will channel Islands residents will pay 20 per cent income tax on their dividend income—the notional gross dividend for the last financial year was 4.9p—while UK residents will pay 20 per cent tex in the Channel Islands and will then be taxed fully on the net figure in the UK.
Lexard Brothers (Jersey) is Lazard Brothers (Jersey) is the merchant bank to the issue with Hoare Govett (Channel Islands), Le Masurier James & Chinn and Rowe & Pitman as

The decision to treat the TSB The decision to treat the TSB (Channel Islands) to a separate glotation to its parent bank may have been purely political, but it has produced an interesting specimen. The bank will be capitalised at \$21m on pros-

suspicious leap in 1982-83, which turns out to be the innocuous product of profitable gilts trading; and the bank can claim the dual benefit of a well heeled customer base— more than half the Channel Islanders hold accounts — and incipient interests in commencial and offshore banking, where the profits have only just started to roll in. The issue has been devised prinarily to appeal to Channel Islanders, who tend to be partial to things financial and rarely come across oppor-tunities for investment in home grown companies. The Islanders are being tempted by a prospective yield of seven per cent. For mainlanders the gross yield tumbles to 58 new gross yield tumbles to 5.5 per cent, but even that is a better bet than the 4.5 per cent

London & Northern stake

A CONCERT party, compromising for companies, announced that it had built up a 5.54 per cent stake in London & Northern Group, the construction, energy service and healthcare company — but added that the concert agreement on

longer exists. The 6.15m shares were acquired by Technology Finance, Tanka, Dumenil Unit Trust Management and Quintex Company, and held through three nominee companies in-cluding MIM Nominees. However, the companies said

elaborate further. Mr Earl was not available for comment. they have since ceased to be

able interest.

party to an agreement, and hence no longer have a notifi-

Recent speculation has suggested that London & Northern,

which recently reported a sharp

downturn in interim profits, could face a takeover bid from

Mr Peter Earl's Infincorp Earl possibly in conjunction with

On Friday London & Northern said that Mr Earl had been in

contact with the company in connection with the concert party interest but refused to

Bancomer Bancomer Sociedad Nacional de Crédito

(Incorporated in the United Mexican

Bancomer. S.A.

U.S. \$60,000.000

Subordinated Floating Rate Notes due 1986-1990

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six month Interest: Period, November 12, 1986 to May 12, 1987 the Notes will: carry an interest rate of 65/18% per annum. On May 12, 1987 interest of US\$126.951389 will be due per US\$4,000 Note against coupon No. 10.

Agent Bank



ORION ROYAL BANK LIMITED Amember of The Royal Bank of Canada Group

U.S. \$125,000,000

Exterior International Limited

(incorporated with limited liability in the Cayman Islands) Guaranteed Floating Rate Notes Due 1996

Banco Exterior de España, S.A. (Incorporated with limited liability in Spain)

(incorporated with initial diability in Spain)

NOTICE IS HEREBY GIVEN that pursuant to Condition 6(b) of the Notes Exerior incornational Limited has elected to redeem on December 23, 1986 (the "Redemption Date") all of its outstanding Guarattused Floating Rate Notes due 1996 (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

The Notes should be presented and presented to a significant or the notes should be presented and presented to a significant or the notes should be presented and presented and account or the notes.

Notes will cease to accrue.

The Notes should be presented and surrendered to the paying agents as shown on the Notes on the Redemption Date with all interest coupons maturing subsequent to said date.

Coupons due December 23, 1986 should be detached and presented for

November 10, 1986, London By: Chibank, N.A. (CSSI Dept.)

CITIBANCO

Drexel Burnham Lambert **Equities Limited**

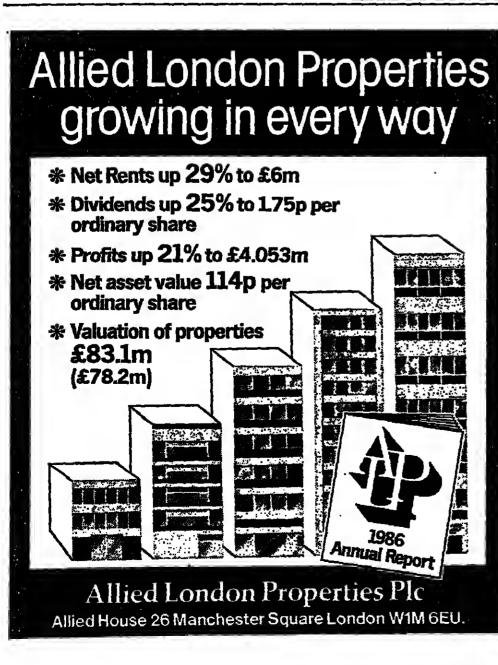
Members of The Stock Exchange, London

Contact:

Brian Palmer

Philip Thomas 01.638.6391 • 01.920.9986

Drexel Burnham Lambert Winchester House, 77 London Wall, London EC2N IBE





Financial Times Monday November 10 1986

FINANCIAL TIMES SURVEY

Monday November 10 1986

Cayman Islands

TO THE financial world Cay-man means an off-shore financial man means an off-shore financial centre and tax haven. To the tourist it means a relaxing tropical island offering wonderful, coral life for the diving enthusiast. For the people of the islands it means, at long last, a prosperous home from which they no longer have to sail in search of a living.

Until 20 years ago times were

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ET, S.A.

and the first term of

400,0**00**

Until 20 years ago times were hard on Grand Cayman and its ancillary islands Cayman Brac and Little Cayman Employment was scarce, the future looked hleak and the air was thick with

iosquitoes. Today Cayman is a major off-Today Cayman is a major off-shore financial centre with 18,700 companies, 500 banks and over 320 insurance firms regis-tered. The capital, George Town, can probably cleim as many banks, lawyers and telexes per head of population than any city on earth.

This year more than 400,000 tourists will flock to the islands to enjoy the translucent seas and beeutiful beeches undis-turbed by the mosquitoes, which heve been brought under con-trol by a vigorous eradication

Financial services and tourism are the twin pillars of the economy and between them they provide the 20,000 inhabitants with full employment. In spite of the on-rush of affluence. the Caymanians remain easy-

going and charming.

A British Crown Colony with a Governor appointed by the Queen, the Caymen has experienced none of the racial tension or political upheavals which have blighted some of the other Caribbean islands. This political stability, plus its proximity to the US, is one of the key reasons for continued economic

The basis of this modern wealth is the absence of taxation and the confidentiality laws, which has attracted the business, commercial and financial community. Originally repeated as a haven for tax point which some fear engarded as a haven for tax dodgers and money launderers, dangers the islands' future as a today it is determined to shake financial centre.

Sept 12 man set of the transfer of the second secon

This British Crown colony has grown wealthy on tourism and financial services. Through a new agreement with the US, it is taking steps to remain a respectable offshore centre

Envy of its neighbours

Survey by David Lennon

thing of the past. Anyone try-ing to deposit more than \$10,000 in cash today will be turned

The tax authorities in Washington may still regard it as a den of crooks aiding and ahetting US tax dodgers, but the islands' self-image is of a repectable off-chore financial centre providing a legitimate service in a world where business and finance is increasingly transnational.

To underline this new

To underline this new image, the authorities point to the Narcotics Agreement of 1984 under which the Cayman agreed to lift the confidentiality regulations in cases concerning people or companies suspected of involvement in drug dealing. Notwithstanding the withdrewal of some funds at that time and a slowdown in the registration of new companies, business is today better than ever.

There is less agreement over the Mutual Assistance Treaty just worked out between the US and, on behalf of Cayman, the UK. It widens the gap in

cluding narcotles trafficking, tors of the guarantee of confinsider trading, frand, bribery dentiality which is a key of foreign officials and the attraction, catch-all concept of racketeer.

A petition outlining a series

The islands' officials insist that the main echievement of the treaty is that it puts an end to the subpoena serving and other forms of herassment to express its views either through a referendum or the holding of were subjected previously. In future all requests for information have to be dealt with through orderly, legal channels.

This aspect is welcomed by George Town's financial and business community, but et the same time some are worried in the some ar

same time some are worried about the failure of the Treaty to protect them against accusations over past transgressions— known or unknown.

They fear that the probing by the US administration will leave them vulnerable to prosecution for having handled the matter because in the often affairs of people whom they used image of a mouse holding believed to be legitimate businessmen and investors, but the alternative to agreement is

less than upright citizens.

The Opposition in the Legislative Assembly has seized upon the Treaty as an opportunity to try to unseat the Covernment of the regarded as a haven for tax dodgers and money launderers, dangers the islands' future as a upon the Treaty as an opportant of the days when men with suit-cases stuffed with cash were US in the investigation, prose-cases stuffed with open arms by cution and suppression of a the George Town banks are a range of criminal offences, in-

arrangement.

But it is doubtful that there would be e majority in the islands in favour of independ-ence from Britain. Indeed, a UN committee which visited Cayman a few years ago found that there was no support for ending its colonial status.

The islands are fiercely pro-British and contributed \$500,000 British and contributed \$500,000 to a fund to aid the Falklands at the time of the Argentine invasion. This British patriotism remains strong in spite of the fact that Cayman is geographically, economically and socially much more closely involved with the US.

The American influence laid over a British basis leads to anomalies such as traffic driving on the left side of the road, while most of the cars are left-hand drive models intended for use in the US where traffic

The school system is British, with the ordinary and advanced level GCE exams but the dominant influence on the local accents is American. The Caymanians do not need a passport to enter the US, but they do for Britain.

A petition outlining a series of objections was circuleted calling on the British Govern-

ment to deley ratification of the treaty until the electorate can

be given an opportunity to

Their key arguments are that acceptance of the treaty under-lines the determination of the

Cayman euthorities finally to rid the islands of their negative image as a haven for drug funds and a centre for laundering

Unspoken is the fact that the Cayman had little choice in the

Islands are pleased by the military and political protection afforded them by being 2 British dependency. They helieve the link lends an air of respectability to Cayman's financial dealings, and it clearly has helped ensure an orderly administration which to a large extent has avoided the corruption and hribe-taking which has arisen in other Caribbean states.

Aware of the field nature of

its two main sources of revenue, and the fact that outside factors could adversely affect them, the Government is devoting con-siderable efforts and investment

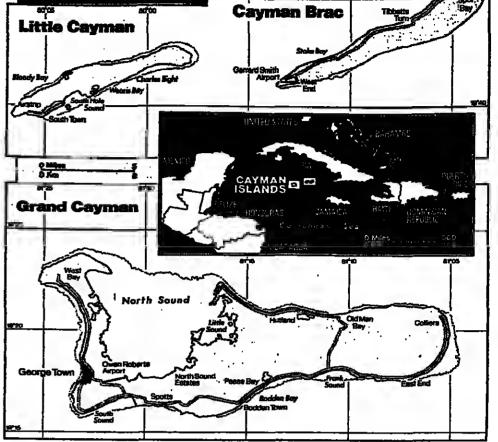
This is reflected in the 1986 Budget, which is a record CI\$69.9m, compared with

CAYMAN ISLANDS

moves on the right.

Nonetheless, the people of the Islands are pleased by the mili-

Aware of the fickle nature of to improving the islands' infra-



provements to the airport on Grand Cayman and the construction of e new terminal at Cayman Brac airport. British companies such as Hadsphaltic are major beneficiaries of these

projects.
The main items of current expenditure are the saleries and the running costs of the Administration. One example of the determination of the Government to ensure that the population derives long-term benefits from the dramatic economic improvement over two decades is the spending of CI\$7.3m on education. Because the islands have to

import virtually all consumer goods, the largest single source of revenue, some CI\$22.5m, comes from the hefty customs

duties which are to a large extent responsible for the cost

viding CI\$13.2m this year. The tourist tax on hotel bills plus the airport departure tax will raise a further CI\$4m, while just over CIS7m will come from conveyancing and work permit

Prosperity has given the Cayman Islanders one of the highest per capita income levels in the Caribbean, estimated at about CI\$5,000. It has also led to a major improvement in educational standards. But these changes have led

to questions such as whether the education is wasted in pro-ducing beech boys and chamber maids. Some also query the rapid pace of development and its sometimes adverse effect on family life and the environment.

The fact that the Cay-manians are concerned ebout the sort of issues which trouble affinent societies underlines what a remarkable success story Cayman is, and why it is the envy of many Caribbean

KEY FACTS Three islands, Grand Cay-

man, Cayman Brac and Little Cayman cover 100 sq miles in the north-west Caribbean 480 miles south of Miami and 180 miles west of Jamaica. Government: British Crown

Government: British Crown
Colony with Governor
appointed by the Queen
Elections are held every four
years to a Legislative
Assembly which comprises
12 elected and three
appointed members. Rule is
by the Executive Council of
four elected and three
appointed members.
Population: 20,000 (approx.)
Capital; George Town,
Grand Cayman
Budget; CI\$69.9m (1986).
GNP per capita: CI\$5,000
(approx.)

(approx)
Currency: Cayman Dollar
Language: English
Sources of income: Financial services and tourism.

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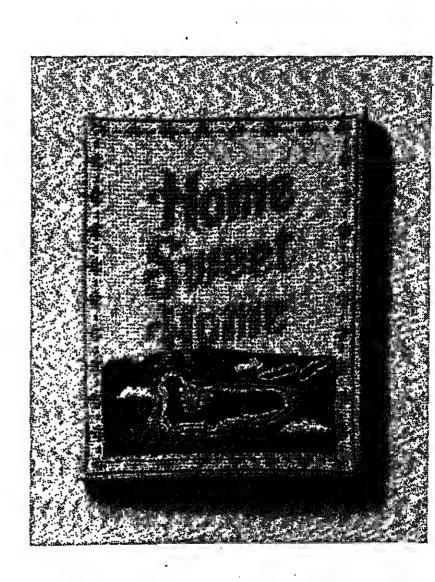
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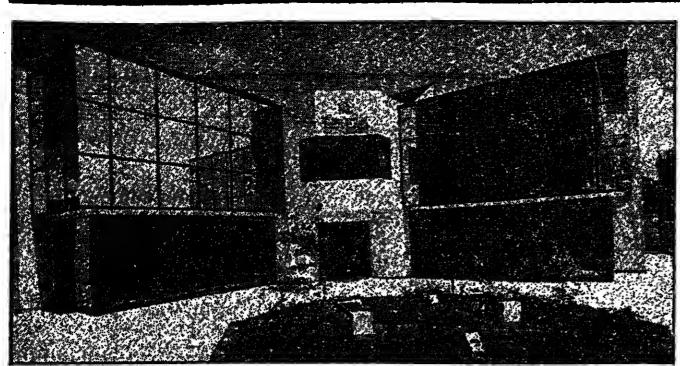
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One of the modern banking offices springing up in George Town

Big operators bring reassurance

A NEW landmark for the Cay- attractions to keep husiness man Islands as e banking centre man islands as a banking centre will be reached by the end of this year when the number of banks registered hits 500. This includes 20 of the world's 25 largest hanks and is seen locally as a source of reassurance in a time of new challenges.

Originally the husiness was dominated by the US banks, hut over the past two or three years there has been a steady growth from the Far East and Latin America, eccording to Mr Peter Crook, the Inspec-tor of Banks and Trust Companies. The world's two largest banks, Dai-Ichi Kangy and Fuji received licences this summer.

The fact that the big hanks are present is offered as proof that this is a legitimate offshore financial services centre, and not just a money laundering and tax evasion haven. The willingness of the banking fraternity to accept the provi-sions of the Mutual Assistance Treaty is offered as further evidence of prohity.

Even the fact that the once inviolate banking secrecy is now a thing of the past does not fill the banking community with dismay. The tax-free and wellsupervised environment, politi-cal stability, good communicafessional services, plus being in the same time zone as New York are seen as sufficient

"In the early days, when we were eager to attract business, we mistakenly regarded some of the business that came here as clean, when it was not," admits Mr Vassel Johnson, a member of the ruling executive council who was Financial Secretary during the years the Cayman was developing as a financial

"Being new to the business. we thought that every financial centre had a mixture of clean, centre had a mixture of clean, murky and dirty money. What we learned was that anyone walking around with money in suitcases was not a legitimate businessman," he says, not denying that dubious tooking characters with suitcases full of money were once welcomed.

"There has been an evolution in offshore financial operations since the wild west days of the early 1970s," says Mr Peter Tunkins, president of the Banks Association and the Cayman National Bank, "We have shed the 'criminal' business and have minimised the chances of getting off-colour business."

Another official says that it, is being made increasingly diffienit to launder money on the Cayman. One important mea-sure was the decision by the

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national links for the benefit of its clients.

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the re-introduction of Exchange Controls in the United Kingdom.

structures which could, amongst other things, give protection in the event of

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CHARTERED ACCOUNTANTS

LONDON

cant offshore banking centre, the Cayman books some 7 per cent of the Euro-dollar trade. The volume of business has risen steadily and total foreign assets of the registered banks are estimated to he \$172bn.

The hig benefits to the islands' economy come not from the brass plate operations, but from the 58 hanks operating with a physical presence. Their direct expenditure this year is CI\$45m (£36.5m). Some CI\$18m is paid (£36.5m). in salaries to the 900 employees, more than 75 per cent of them Caymanians. The contribution to GDP, both direct and indirect,

Some of the Euro-dollar busi-ness may have been diverted from the Cayman by the creation in the US of international banking facilities (IBF) which allow US domestic banks to conduct their inter-national husiness within these facilities instead of from offshore. But bankers on the island say the IBF enterprise has met with only limited success as many of the banks view the IBFs as ertificial creations which could be the victims of a change of domestic policies.

It is difficult to accurately deposits in excess of US\$10,000. especially as any loss may have "I cannot say it does not been offset by other factors

TRUST COMPANY

CAYMAN ISLANDS

happen," the official admiss. such as the relaxation of the "But it is far less so than in Swiss secrecy laws and the other places."

Well established as a signification America.

The fickle nature of the husiness and its vulnerability to forces outside the control of Cayman leads some people to argue that the future of the Crown colony must lie in tourism rather than financial services.

Their concern is thet the break in banking secrecy which began with the 1984 Narcotics Agreement and which has been reinforced by the 1986 treaty could well be followed by further measures which will make even tax avoidance money subject to scrutiny. At that point they believe the offshore business will dwindle and lose much of its significance for

However, this is regarded as unduly pessimistic by other bankers who ergue that drug and criminal money was never more than a tiny fraction of the business being handled in George Town. Thet business has already been driven away by the Narcotics Agreement and the treaty, yet business is

They are banking on the Cayman's new "squeaky clean" image to bring in all those who previously were afraid to be associeted with any place tainted by drug and racketeerTourism

Prosperity may hinge on leisure

TOURISM is the Cayman's major cial sector as the largest single source of employment on the islands and many believe the future prosperity of the Cay-man depends ultimately upon

This means the promotional slogan: "The Cayman is Not For Everyone" used in the past to emphasise tranquility and the no-neon, no-night life and no-gambling reality has to be dropped. The message seen on Miami hillboards this summer reads with truthful simplicity:

Cayman Islands Quiet. This year more than 400,000 This year more than 400,000 tourists will sample the sun, sea, sand and relatively unspoilt charms of the Islands regarded by many as e paradise for sun worshippers and divers, who can enjoy some of the finest coral and marine life in the and marine life in the Caribbean.

Being an offshore financial centre it is estimated that 10 per cent of the arrivals regis-tered as tourists come to do business. Many combine this with a holiday, and often bring their spouse or friends to relax on the beach while the financial transactions are being made. A few of these visitors even buy a condominium or get involved in other investments on the

The US is the source of SO per cent of the islands tourists, with close to 30 per cent of all arrivals coming equally from Florida and Texas. Another 10 per cent come from Jameica, the Caribbean island with which Cayman was linked until Jamaican independence.

source of foreign exchange, tinuing political ties as a British hringing in US\$70m last year. It Crown colony, the UK is e poor has already surpassed the finan-source of tourists. 2.2 per cent of tourists last year. This was due in large part to the £600 to £800 cost of e seven-day holiday.

As a tourist destination, the Cayman developed in a hap-hazard way. Twenty years ago the annual influx of tourists did not exceed 6,000, mostly divers and e few businessmen. Even while it grew as a financial centre, most investors who saw its tourism potential opted for

Despite the historical and continuing political ties as a British crown colony, the UK is e poor source of tourists. 22 per cent of tourists last year. This was

Holiday Inn opened in 1972 are due to open their doors at the turn of the year. One will be operated by Hyatt Regency and the other, Treasure Island, is exindustry as they edd 525 rooms of a higher quality, to the rather

The first two major hotels to be built on the island since

pected to be linked to the Best Western reservations system.
They will provide a major boost end challengs to the

The Cayman must attract half as many tourists again to keep the hotel industry viable

hotels, which have had a very bad track record for investors in the Caribbean.

This year the total number of overnight tourists, staying an average of four nights, is expecaverage of four inguist is expected to reach 175,000, a 17 per iocrease on 1985. Cruise ship arrivals are expected to remain et, or decline slightly from the record 1985 level of 250,000. Cruise ship visitors, some-times disparagingly referred to as "seegull tourists" (they fly io, litter the place and fly out), stey only for e day. Despite the

large volume of arrivals, cruise

quick returns, rather than limited variety on offer in the tels, which have had a very existing 1,700 rooms. This will dirack record for investors also bring the number of hotel rooms up to the same level as those eveilable in condo-

> With annual everage hotel occupancy at a level of 60 per cent, the competition for new business is going to be fierte. According to Mr Eric Bergstrom, the director of the tourism department, the Cayman must attract 46 per cent more overnight tourists in 1987 to keep the hotel industry viable. viable.

large volume of arrivals, cruise passengers contribute only 5 he achieved to ensure the per cent of the revenue from hotels continue to operate profitthe tourist industry. Some would ably. A major promotional

with further promotion the season can be extended into

the summer. To ensure that there will be to ensure that there in dustry jargon for seats to carry passengers, Cayman Airways is stepping up its flight frequency by chartering an additional structural for the November to April

high season.

Not everyone is happy with
the way things are going. Some
of the islanders wonder if there
is any need for additional totals
given that there is full employment and the opening of new
hotels will require the import
of staff. Some fear that this
could be a politically destablishing factor within the talands'
thy population of 20,000.

The inevitable poaching of

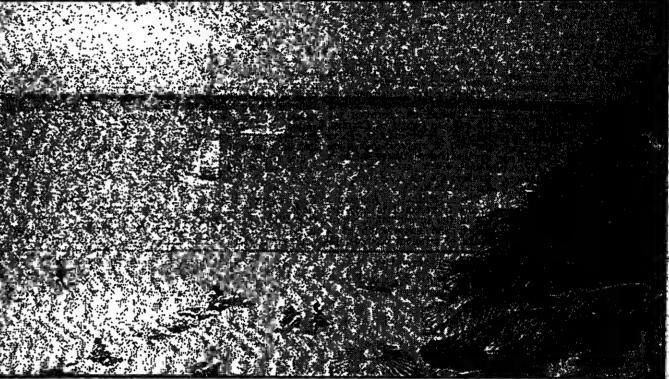
tiny population of 20,000.

The inevitable possiting of staff by the new hotels is a concern for existing ones.

One vetaran hotelier said:
"I am not afraid of losing my customers to the Hyatt, after all I am on the beach and they made the mistake of building their hotel away from it on the other side of the increasingly busy West Beach road. What does bother me is that they will steal my staff."

On the other hand, the

On the other hand, the islands operators of water sports facilities and of the surprisingly large number of restaurants can hardly wait for the hoped for influx. The real question is, however, whether success will spoil the still friends and welcoming Cayman.



More than 400,000 tourists will flow into Cayman th is year, drawn by the relatively unspollt islands, and bringing in the majority of its foreign exchange



Sailing to the top

Profile:

Thomas Jefferson

LIKE JUST about everybody who is anybody in the Cayman, Mr Thomas Jefferson was a sailor in his youth. Today while still only in his mid-40s he is the islands' top administrator and the first official member of the ruling Executive Council. tive Council.

Despite leaving school et the age of 14, Mr Jefferson battled to get an education and after a series of stops and starts-incloding three and a half years at sea and two years as a military policeman in the US army—he now holds a master's degree in edministration.

His genial and easy going persocality belies the tough times he experienced. "I had many jobs. When you are hungry you are not so selective, as long as it is legal." He does not regret this experience.

"If you come out at the end achieving something that satis-fies you, why change it?"

His determination was recog-nised early within the adminis-tration and by the end of 1979 he hed hecome principal secretary in the Department of Health, Education and Social Security. Just over two years later he moved to the key post of Finance Secretary, "On April 1, All Fools Day," he says with a broad grin.

Life has changed for My Jefferson and his people. He looks with some regret on the passing of the trusting relation-ships which cheracterised his youth. "If your neighbour spanked you, your parents did not complain because they knew you deserved it." He accepts that the strain development has put on family life has to be accepted as the "bitter that comes with economic progress."

Generally regarded as e Camanian who will influence his country's future development, his ambitions are his own private affair. But one gauge could be a remark he made about not trying for too advanced an exam before being ready: "It is a devil of a thing to put your hat where you can't

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CAYMAN ISLANDS; a reliable and respectable place for business

From the Governor of the Cayman Islands His Excellency G. Peter Lloyd, CMG, CVO.





IT IS APPROPRIATE that the Cayman Islands should be the subject of a Financial Times Survey at this time. One reason is that it is just ten years since the last survey on Cayman, and in that time tremendous progress has been made in almost every segment of the economy.

A more significant reason, I believe, is that with the recent signing of the Mutual I egal Assistance Treaty with the United States, the Cayman Islands is set to begin a new chapter in the remarkable story of its development

It was a sign of the stature that these three small islands have achieved that the treaty signing took place here, and that Cayman is a party to the first treaty of this type to be concluded between the United Kingdom and the United States.

As I said at that treaty-signing, the 1984 Marcetics Agreement made plain that we traffic resilient to deny shelter to drug traffic resilient cary is evidence of our determination to fight all serious crime, and it should provide a solid foundation for the future development of our financial industry.

The Caymanian people, and the sophisticated operations which have grown up with their co-operation, share a common interest in having the Islands known and respected as a place resolute in shunning any links with crime. This is the message that can valuably go out at this time.

G. Peter Lloyd, GOVERNOR.

IN JUST OVER 20 years the Cayman Islands have been transformed from a little-regarded trio of tropical islands into one of the world's leading offshore financial centres. An economy which struggled along on philatelic sales and seamen's remittances has expanded dramatically to become one of the most envied in the Caribbean.

This has been possible because of three basic reasons; A long history of political and social stability; sustained government policles ensuring complete freedom from direct traxition; and the friendly receptiveness of Caymanians to new ideas and people.

On the firm basis of these essets has been built our thriving and respected financial centre, while alongside it has grown the other pillar of our economy, tourism, taking advantage of our tropical climate, clear waters and white beaches. Complementing each other, these industries have attracted large amounts of capital from overseas investors assured by the policies of our government and the attitudes of our people.

This investment has financed large-scale construction—of banking and other office complexes to house the business sector, and of hotels and condominium apartments for use by our steadily increasing flow of visitors. At the same time, the government has been enabled by healthy annual budgets to embark on its own large construction programmes, so that we now have a range of handsome public buildings—Legislative Assembly, Law Courts, Government Administration, Police Headquarters, Broadcasting House—as well as new roads and schools and modern port, airport and hospital facilities.

The capital investment programme, continued by successive governments, has been part of a consistent policy aimed at promoting the greatest good for the greatest number of people. Aspects of this policy have included the provision of adequate social services to ensure the all-round welfare of the community, and the equipping of Caymanians to play their full part in their country's future so that an acceptable balance is maintained between them and resi

The patiern of government development has continued through the 1980s, keeping pace with that in the private sector, in which there have been remarkable advances in telecommunications, power generation, hotels, condominiums, office buildings, restaurants, ahops and other businesses.

Ten years ago, when the last Cayman Islands survey was published in the Financial Times, the Budget estimated revenue at under CI\$12m, there were 216 banks and trust companies licensed, and just over 7,500 companies registered. Our insurance industry had not been launched, and our annual total of air and cruise ship arrivals had topped the 100,000 mark for the first time. The margin by which these figures have been associated illustrates the high rate of growth over the exceeded illustrates the high rate of growth over the ten-year period.
Our Budget for the current year anticipates rev

at CI\$68.9m, and in the first eight months over \$45.5m had been collected. We started the year with a deficit of \$1.1m from 1985 and previous years—a comparatively rare event—but with expenditure estimated at \$87.4m we expect to end the year with a surplus. It is a fact in which Caymanians take pride that our government has never needed grant-in-aid from Britain to belance the annual budget.

For over 40 years we were assisted by British development aid grants, but these ceased in 1975, to be replaced by interest-free loans. The last of these was received in 1980, and while we are grateful for the help that British provided in our years of difficulty we are happy and proud to be able to pay our own way without reliance on the British taxpayer. Our credit is good and small strong the happy and proud to be able to pay our own way good, and among the borrowing sources we use for funding new projects the major one is the Caribbean Development Bank.

Our banking industry continues to grow, and we have over 490 banks and trust companies licensed, now have over 490 banks and trust companies licensed, which is more than in any financial centre. As a result of legislation enacted in 1979, Cayman has also become one of the leading centres for the re-insurance industry, and we have over 320 companies licensed, a figure surpassed only by Bermuda. And the successful promotion of our Islands has made them an increasingly popular vacation resort, visited last year by over 400,000 people arriving by air or cruise ship.

Just as investors feel safe in putting their money here, our visitors come—and often come again—because they find that in the Cayman Islands they can relax among friendly people, where crime is minimal and there are no social tensions. Most of our visitors by air

By the Hon Thomas C. Jefferson, OBE, JP, Secretary, Financial First Official Member of Executive Council, and Leader of Government Business in the Legislative Assembly.



get a Caymanian welcome aboard the Boeing 727s of our national airline, Cayman Airways, which provides dally service from Miami and Houston, regular services from Kingston, and charter services from New York, Detroit, Chicago, Atlanta and Tampa.

We expect an even larger increase in our arrivals total next year, when our two biggest hotels will be open. The Hyatt Regency (240 rooms) and the Treasure Island Resort (290 rooms) together represent an investment of over \$50m—which I see as a graphic and significant expression of confidence in our future as a tourist recort.

every aspect of our development it has been the In every aspect of our development it has been the policy of Government to ensure that, while welcoming investment and expertise from overseas, every chance is given for Caymanians to participate in their country's prosperity. Nearly 900 people are employed in our financial institutions, and I am glad to say that over 75 per cent of them are Caymanians and that they are steadily rising to the highest levels of management and supervision in this key sector of our economy.

These have been termed "the Fortunate Islands and this is true not least in the fact that we have had little or no unemployment and we have one of the highest standards of living in the Caribbean, And despite the fact that our population has risen rapidly to over 21,000, of whom more than 5,000 have come from over 50 other countries, we have retained an enviable social has recome.

The years when these Islands were remote from the The years when these Islands were remote from the world have been left far behind. Today we have the most modern forms of telecommunications available, with satellite and marine cable links providing the telephone, telex, facsimile and databank services essential for our financial centre operations. With 250 telex sets in use we have the highest per capita provision of this facility in the world.

Nor has the government ignored the need to keep pace technologically. Early this year we installed the first DEC VAXCHISTER computer system in the Caribbean supplementing a DEC-PDP 11/70 installed five years ago. About 70 per cent of government departments now have access to computer application systems or office automation.

Such provision shows our realisation of the need to be forward-looking if Cayman is to remain in the forefront of international financial operations—a role reflected in the billions of Eurodollars involved in daily transactions here. We cannot afford to be complacent, for we are well aware of the potential fragility of a sector which depends on continuing conditions in Cayman as a reliable and respectable place to do business, as well as on world conditions beyond our

I have great confidence that, with public and private sectors working toward this common purpose, we shall maintain the image that has made possible our remarkable progress.

THE NEW TREATY

THE MUTUAL Legal Assistance Treaty, signed by the governments of the United Kingdom, the Cayman Islands and the United States in July, is a sincere effort by the three governments to overcome the difficulties created by attempts to use our confidentiality rules to hide

our government has always aimed for a clean operation of our financial centre. This is not only good sense for the long term but it reflects the upstanding character of the Caymanian, whose Christian principles have led to the banning of casinos and all other forms

character of the Caymanian, whose Christian principles have led to the banning of casinos and all other forms of gambling.

At the same time, we have recognised the essential need of secrecy for the business transacted here, hence the Confidential Relationships (Preservation) Law, enacted in 1976 and reinforced by heavier penalties in 1979. We remain convinced that the legitimate investor has a right to confidentiality when he does business in our Islands, but in recent years we have been forced to recognise that this protection has been used to shield the international movement of illicit funds, especially those resulting from drug trafficking.

Because we shared this concern with the United States we entered into the Narcotics Agreement with them in 1984, and undertook at that time that providing the agreement worked satisfactorily we would negotiate a legal assistance treaty with them. Under the Agreement our Attorney General was required to obtain and provide information in Cayman on persons certified by the U.S. Attorney General to be involved in a narcotics-related investigation. Since the agreement took effect, evidence has been provided in about 60 cases and has assisted federal investigations of drug trafficking transfers. has assisted federal investigations of drug trafficking involving several hundred million dollars, with the result that a number of notorious drug traffickers have been jailed.

been jailed.
Under the treaty, the enabling legislation for which has recently been approved by the Cayman Islands Legislative Assembly, we have undertaken to provide information to assist investigation of a broader range of serious crime. This is the first such treaty to be concluded between the US and Britain, and it is likely to be a model for others as there is a growing awareness among nations of the need to co-operate in combatting international crime.

Some doubts and fears have been expressed about the effects the treaty may have on business conducted in our financial centre, but I am convinced that the treaty need cause no fears to anyone who does not engage in crime. And it is important to note here that we in Cayman do not recognise tax avoidance as a crime and the treaty specifically excludes tax offences unless they involve the unlawful proceeds of a crime covered by

At the time the Narcotics Agreement was signed I said I felt it was a major step forward in ensuring the foure of our financial industry. I believe this has been borne out by our experience in operating the Agreement, which has shown that our services and confidentiality rules have been abused, though not to the extent that some publications have claimed.

There were apprehensions, too, about the possible effect of the 1984 agreement upon financial business here, but these proved not to be justified—as illustrated by the fact that our total of licensed banks and trust companies increased by 40 that year. Those of us who carry the responsibility of supervision of our financial industry are content that whatever funds and operations moved away as a result of the agreement were undestrmoved away as a result of the agreement were undesirable and their departure is no loss.

In the same way, I expect the treaty to continue

In the same way, I expect the treaty to continue the process of setting the right tone for the future development of our financial centre so that reputable businesses are attracted to it. We have been greatly encouraged by the fact that since the treaty was signed we have had applications for banking licences from three large Japanese institutions—two of which are ranked as the world's largest and second largest. This means that 20 of the world's top 25 banks have licences here.

We shall continue to strive to provide an offshore base of untarnished reputation for such prestigious businesses, so that Cayman plays an increasing role in international finance.

The services and opportunities we offer

aank and Tris

ation Limited

THE CAYMAN ISLANDS have no central bank, and the money supply is regulated by the Cayman Islands Currency Board, a statutory body set up in 1972 when the Cayman dollar (CI\$1=US\$1.20) was first issued. The board maintains its reserves mainly in US dollar-denominated, government-guaranteed securities. At the end of 1985 the board's assets stood at CI\$17.9m, and currency in circulations. tion amounted to CI\$11.3m.

Despite the lack of a central bank the Islands have developed a remarkably sophisticated banking system, which has grown rapidly into one of the foremost offshore banking centres in the world. In a British colony with a stable, progressive government sensitive to the needs of the banking community, banks have been keen to obtain licences to operate here. Other advantages include excellent communications, ready access to the eurocurrency market, a minimum of regulations, confidentiality protected by a law imposing heavy penalties, no taxation of profits, a readily available pool of legal and accountancy expertise, and effective prudential supervision. As a result there are now just under 500 banks and trust companies licensed by the government.

Nearly all licences issued in recent years have been to well-known banking corporations, and of the world's 25 largest banks 20 now have Cayman Islands licences. The largest number are from North America (38 per cent), with Western Europe (33 per cent) a close second, but overall banks from 51 countries are licensed, a close second, but overall banks from 51 countries are licensed. Total assets of the Cayman Islands operations of these banks reached some US\$175bn at the end of 1985, a figure reflecting the Islands' importance at the centre of the global eurocurrency market.

Two types of licence can be issued, "A" and "B," though there is also a restricted version of the latter which allows the licensee to deal only with certain named customers. In principle the distinction between the two categories is one of function and not quality. An "A" licence bank, of which there are 30, may undertake domestic and offshore business, while a "B" licensee is limited to offshore

The Inspector of Banks and Trust Companies, seconded from the The Inspector of Banks and Trust Companies, seconded from the Bank of England under the technical assistance programme of the International Monetary Fund, carries out close supervision of the International Monetary Fund, carries out close supervision of the International Monetary Fund, carries out close supervision of banks in accordance with the "Principles for the supervision of banks in accordance with the "Principles for the supervision of banks in accordance with the Basle banks' foreign establishments," better known as "The Basle banks' foreign establishments," better known as "The Basle banks' foreign establishments, are conducted with the banks and Concordat." Regular meetings are required. Banks have come to internationally accepted standards are required. Banks have come to internationally accepted standards are required. Banks have come to internationally accepted standards are required. Banks have come to internationally accepted standards are required. Banks have come to internationally accepted standards are required. Banks have come to internationally accepted standards are required. Banks have come to internationally accepted standards are required. Banks have come to internationally accepted standards are required.

COMPANY REGISTRATION

NEARLY 18,000 COMPANIES are registered in the Cayman Islands. for purposes of investment, sales, trading, shapping, insurance, real estate and a wide variety of other aspects of international finance and commerce. To the benefits of operating in the Islands' stable, tax-free environment are added the advantages of an efficient, computerised system of company registration and ample availability of company management expertise. Companies can be incorporated in two or

The Companies Law is based on the United Kingdom's Companies Act, 1948, with amendments to suit the offshore situation. Four types of company may be registered: Companies limited by shares; companies limited by guarantee; unlimited companies; and non-profit associations. They may be either ordinary companies, exempted companies, or foreign companies.

Exempted companies, which form a large majority of those on the register, are licensed to operate offshore. They can enjoy a government guarantee that should direct taxation ever be introduced. they will be exempt from it for at least 20 years.

Anonymity is guaranteed by a strict confidentiality law. Nominee shareholders may be registered by exempted and ordinary companies, so that the beneficial shareholders are not recorded or known to the Registrar. Alternate directors may also be appointed, easing the statutory requirement of holding an annual meeting in the

A recent law amendment allows a company to be formed with only one subscriber. It is also an advantage that an exempted com-pany does not have to file audited annual accounts.

Grand Cayman is well supplied with companies providing com-pany management services, most of them being associated with local legal firms and accountancy practices. They are subject to registration and regulation by the Registrar. Such firms are able to provide registered offices, nominee directors and other similar

For a foreign company, which is a company incorporated outside the Islands but carrying on business within the Islands, simplified registration procedures apply.

Enquiries about company formation may be addressed to: The Registrar of Companies, Tower Building, Grand Cayman, BWI. Tel:

INSURANCE

AS A DOMICILE for offshore captive insurance companies, the Cayman Islands are second only to Bermuda in the number of captive insurance companies licensed to transact business.

Our Insurance Law came into effect in June, 1980, when all companies issuing insurance policies, or whose title suggested they were in any way connected with the insurance business, were required to submit an application for a licence. Many submitted applications, though others did not and chose to liquidate or relocate. We now have 323 active companies submitting annual accounts, and because of the very unsettled state of the international insurance

market, and severe lack of available capacity, the number of licence applications had increased dramatically over the past year. The Islands are now well organised to take advantage of the present interest in captive insurance companies, and many of the

biggest corporations in North America have seen the advantages of setting up captives here. We have 30 licensed Underwriting Managers (including some

of the biggest names in insurance broking), and they also come under the framework of the Insurance Law. We have ample auditing and accounting expertise (including all the "Big 8" accountancy firms) and some innovative legal minds to

advise and assist potential licensees.

We have a separate insurance department, with insurance and accounting expertise, and we have room for expansion. A licence application can be processed within four to six weeks.

A copy of our booklet, "Cayman Islands Guide to Offshore Insur-

ance, 1986-87" may be obtained by writing to: The Department of Insurance, Government Administration Building, Grand Cayman,

The Government of the Cayman Islands

Government Administration Building

Grand Cayman, BWI

Telephone: (809) 94-97900 - Telex: CP 4260 CIGOVT

Representative in the United Kingdom: Mr. Thomas Russell, CMG, CBE.

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The Managing Director,

British West Indies.

THE INSURANCE business in the Cayman Islands is booming, with applications for new licences at an all time high. But some fear a alowdown Senate before the end of this catell he imminent because of the catellands are the catellands and the catellands are the cayman has not seen panies leave so far, according to the catellands are the cayman has not seen panies leave so far, according to the catellands are the cayman has not seen panies leave so far, according to the catellands are the cayman has not seen panies leave so far, according to the catellands are the cayman has not seen panies leave so far, according to the catellands are the cayman has not seen panies leave so far, according to the catellands are the cayman has not seen panies leave so far, according to the catellands are the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leave so far, according to the cayman has not seen panies leav year, may have a much more serious impact as it is the largest offshore insurance centre new US legislation and agree-

Curbs may control boom

Insurance

in the Caribbean.

The fear is that this cost saving will adversely affect the Cayman, which has elready seen some business going to Barbados. This is particularly disappointing for the insurance community, which experienced a revival of business in late 1984 and 1985 following the alowdown of 1983.

But these worries are overshadowed by fears over the proin the Caribbean. Today there are 323 active licensed captive insurance companies registered in Cayman, managing and reinstring the risks of their parent companies and affiliates. In addition there are 80 underwriting manage-ment arms. The cautious esti-mate by officials is that these

companies will generate some US\$1.4bn in premiums this shadowed by fears over the pro-posed revision by Washington of the regulations governing the taxation of undistributed There were a record number of applications to register insurance companies in the first six months, 58 compared with 49 for all of 1985. Even in 1982, the previous peak year, the half-year total was only 42.

the taxation of undistributed profits of companies overseas. The idea is that only 25 per cent ownership of the cepital of a company need be American to make its profits liable to taxation. This is less than half the existing ownership requirement. This could have a dramatic impact on offshore insurance operations. "We are in a state of histus, not knowing what will be the eventual outcome. But this could be an even more serious problem than the federal excise tax issue," says Mr Don Westmoreland, managhalf-year total was only 42.

But this silver cloud has a grey lining in the form of two recent moves by the US Government designed to curb offshore insurance activities. The first blow came with the waiving of US federal excise tax on insurance premiums paid in Barbados, and soon in Bermuda too. The second is the plan to sharply reduce the percentage of US ownership required in an offshore company before its profits become liable to US taxation. federal excise tax issue," says
Mr Don Westmoreland, managing director of Transnational
Risk Management and chairman
of the Cayman Underwriting
Managers' Association.
Mr Anthony Stelling of
Samuel Montagu (Cayman) is
less pessimistic though clearly
"This will slow down

wary. "This will slow down affairs until equivocal parts of the new legislation are clarified and new formulas found for constructing offshore companies so that they do not fall into the

Cayman has not seen com-panies leave so far, according to Mr Peter Bates, the Government's supervisor of insurance. But he admits that some of the larger ones may pull out when the new US offshore insurance taxation proposals come into effect. However, at the moment,

"we are still receiving spplica-tions," he says, pointing to this year's record figures. Cayman emerged as a serious cayman emerged as a serious insurance and reinsurance centre after June 1980 when the new insurance law became operational and forced a clean out among the 500 companies registered under the Companies Act which had the word insurance in their pages Transcriptor. ance in their names. It was often impossible to tell in those days whether a company was angaged in genuine insurance or was helping in tax evasion in other countries, or providing a vehicle for fraud.

The new legislation required The new legislation required the insurance companies to register and comply with certain, far from onerous conditions. Some 300 applied and 250 were approved. This number has now grown to 320 "genuine insurance companies," as Mr Bates describes them.

At the heart of the island's insurance regulatory system is the certificate which states that the insurer has complied with the information in its licence application. Signed by the underwriting manager or auditor, it is lodged with the superintendent and thereafter regulatory interference

This to a large extent selfregulatory together with the enforcement



Aerial symmetry: Cayman Airways, far from tailing off, is stepping up flights to handle convention business

helped boost the tax-free island as an attractive place to write off-shore insurance. These are the very elements which have worried developed countries who see it as an opening for tax

Lawmakers and regulators in countries such as the US are concerned about this because they are aware of the relative ease with which money can be transferred as reinsurance, with

Much of the growth in the offshore sector has come from the captive insurance market, with 80 per cent of the companies being from the US. Canada and the UK are the second largest source of busi-ness while the remainder comes from the rest of the world.

The Cayman has specialised scant regard for national in association-type captive boundaries. Because of insurance companies. These are Cayman's secrecy laws, it is created by like minded indiviewing the insurance france, combine to insure their risks, except in the case of crimes the companies registered fall into in association-type captive insurance companies. These are created by like minded indivi-More than 30 per cent of the buildings, servicing and aneli-companies registered fall into lary secondary services.

proven if the Cayman was to this category. Cayman has established a name for itself in the itso zealously guards.

Much of the growth in the School decided to locate its operations on the island so years ago after being turned down by Bermuda.

This type of operation is second in number only to the 45 per cent share of the single parent type.

The direct contribution to the Cayman budget is some C\$1.7m in fees, plus a harderto-quantity amount derived from employment, the construc-tion, purchase and rental of

Companies

US treaty pierces veil of secrecy

years their incorporation and annual fees now provide more than 10 per cent of the budget. The volume of company busi-

The Barbados and Bermuda treaties allow relief from the

federal excise tax of 4 per cent

on direct insurance pramiums and 1 per cent on reinsurance premiums. This was granted in exchange for the island's coperation with the US Government in tracking down tax avoidance and evasion by US

The agreement has been in force in the Barbados since

ness, which is hard to measure because of a lack of reporting requirements, is believed to have increased even more dramatically in this period. The pace of new company registration has fallen from the

peak during 1980-82 when it reached 3,000 annually. In the past couple of years new regi-strations has averaged about 2,000 per annum. There was a the figures for the first half of this year continued the renewal of growth.
With

removed from the register at the rate of some 1,500 e year, usually for failing to pay annual licence fees for two years, the total number of companies has grown slowly in recent years and stood at about 18,700 by the middle of 1886, eccording to Mr Woodward Terry, the Registrar

of Companies.
Companies are e good source of revenue for the Islands which will earn CI\$7m from mcorporawill earn cuyin hom montyona-tion and annual fees this year. They also create employment for lawyers, accountants, man-agement and bank trust com-

panies and cierical staff.

Freedom from taxation, the proximity of the US where the bulk of new business originates and the ease with which com-panies can be formed in the Cayman are some of the major reasons why so many com-

panies have registered.
Until 1984 the assurance of complete confidentiality could have been added to the list of benefits. That guarantee was weakened by the 1984 Narco-

THE NUMBER of companies tics Agreement which allowed registered on the Cayman the US euthorities access to Islands has tripled in e decade the records in the Cayman of and in spite of a slow-down in growth over the past couple of pected of involvement in years their incorporation and drugs trafficking.

The new Mutual Assistance Treaty has rendered the promise of secrecy almost worth-less. The US is now entitled, under certain circumstances, to look into the accounts of a company or person believed involved in any of a wide range of eriminal offences.

Though all matters relating directly to taxes have been excluded from the treaty, it is uncertain how long this situa-tion will continue. Having won the right to pierce the veil of criminal ectivities are concerned, Washington is clearly intent on closing the loopholes which allow its citizens to use tax havens to avoid or evade taxes. (This distinction does not exist on tax-free Cayman).

It is expected that the treaty may produce another slowdown in company registrations while

New Company

Regi	stratio	ns	
	Ordinary	Exempt	Total
1976	638	639	1,301
1977		840	1,576
1978		1,011	1,905
[979		1,457	2,533
1980		1.751	2,979
1981		1,836	3,052
982		1,927	2,930
1983		1,549	2,284
1984		1,251	1,964
985		1,226	2,017

the market absorbs its implications. It is also thought that eyes may be withdrawn from the Cayman. But most experts believe these will be temporary adjustments with growth being resumed after a pause, as was the case following

the Narcotics Agreement.
While banking and insurance are now carefully regu-lated, there is only minimal

regulation of the companies on the register, they can operate with nominee shareholders; they do not have to hold an annual meeting; they can alter their articles of association without restriction and they do not have to disclose financial.

One official admits that companies can be registered too easily, "without any one enouiring into their bona fides.
Our act is not as clean as it ought to be because crooks can bring impeccable references when wishing to do business. the official comments frankly.

The large management firms. trust companies and legal offices do, perhaps, provide establishment of companies intended as vehicles of fraud or set up for money laundering. But smaller operators and new-comers to the field cannot afford to be as choosy in who they accept as their clients.

The new treaty has intensified the worries that they could be implicated in wrongdoings

Mr Casey Gill, president of the Law Society, explains: "Our concern as lawyers is that under the treaty we may get into an exposed situation for dealing with a criminal, though we did

not know he was a criminal."
Mr Paul Harris, a chartered eccountant and president of International Management Services, says: "In future we will want to know the source of the funds of the companies we work with." He believes the Cay-man financial industry should seek business further afield than the US and also move from the copying to the innovative

Banking and insurance were copied from Bermuda and the ing mutual funds and the entertainment industry to set up here." He points out that often from one country, it is shot in another, the stars are British, the director American and the royalities come from all over the world." The only sensible solu-tion is an offshore company:

Human dynamo still sparks

Profile: Jim Bodden

"LIFE is a street with two sidewalks and you must walk down one side or the other, there is no nentrality. So I guess I create a lot of enemies," says Mr Jim Bodden, the man who continues to dominate who continues to dominate Caymanian politics two years

after losing the elections.
"Mr Jim," as he is known to all, stirs passions among both friends and enemies, of which he seems to have equal amounts. You may like him or you may bete him, but no one is in-different to Cayman's flam-hoyant human dynamo.

His supporters believe that he is responsible for the islands'

massive development in the past decade. His critics blame him for being dictatorial, cutting corners and being too prone to looking after his own. He dismisses his opponents as

"idiots and incompetents." country :
"My people trust me because yet done, they know that I make quick He ad-

in explanation of both his personal popularity and the success of his edministrations in

developing the island. Though there is no prime minister under the Caymanian political structure, there was no doubt that for the eight years between 1976-84 Mr Jim years between 1970-34 Mr Jim was primus inter pures, most definitely the leader among those formally his equals. Now et the centre of the major storm over the bintual Assistance Treaty with the US, which threatens to rent greet

holes in the commercial secrecy laws, he says: "I was ready to retire; I have e girl friend 20 years younger than me and was learning to relax.
"But then I realised that this

Government is ruining the country and that my job is not

they know that I make quick He admits to enjoying being decisions and cut through all at the helm. "I'm e salesman

the bureencracy. I do not lean towards the civil service at all.

They say I was e dictator, but we got things done," he says and made them again," he says proudly, while chain-smoking in spite of a minor heart attack just before his recent 56th

How long will he continue to fight the political battle? "1 will not step into the shadows until we have new elections. If my group loses, then I will shut up and retire from politics."





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DIARY DATES

CONSTRUCTION CONTRACTS

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Nepal road building study

The Asian Development Bank has awarded the contract for a major study of the prospects for investing in roads and airport in the King-dom of Nepal to the London-

dom of Nepal to the London-hased transport consultants TeenEcon.

The Asian Development Bank is looking for new in-vestment opportunities in Nepal and the contract for the study, worth £250,000 (\$350,000), was awarded to TeneEcon after open inter-national competition.

national competition.
TecnEcon has already
worked for the ADB providing technical assistance on pre-vious studies of transport in vious studies of transport in the Kingdom, and the latest project will build on this. "It is essentially a project identification exercise to help the ADB find investment opportunities," said Mr Jeff Ody, TecnEcon's chairman. "We will be looking at the need for new roads to belo need for new roads to help

which will be completed in midsummer next year, also at ways of improving the maintenance of the existing roads, including improved maintenance techniques." TecnEcon is also working with the Pakistan Government planning rural road schemes,

The study will also assess the need for improving Nepal's airports, and will include an analysis of environ-mental protection measures against erosion and deforesta-

TecnEcon have associated with consulting engineers Scott Wilson Kirkpatrick for the civil engineering and civil aviation aspects of the study,

and with the government of Malawi and consulting en-Malawi and consulting engineers Alexander Gibb planning an ODA financed road between the capital Lilongwe and Salima.

It is also preparing business plans for a container terminal in China, in conjunction withthe Port of London Authority.

Extension to hospital

JOHN LAING CONSTRUCTION a standard nucleus design which has been selected by Wirral Health Authority to carry out the £2.5m construction of an extension to Clatterbridge Hospital in Bebington, Merseyside, block will be a single storey. The extension will consist of a two-storey medical ward block contract is due for completion comprising 109 beds based an

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IN BRIEF

SHEPHERD BUILDING SER SHEPHERD BUILDING SEB-VICE has wen four management fee contracts from Leeds City Council worth a total over \$4.2m. The projects involved are primary schools at Harchills and Burmantofts, an aged persons, home at Beeston and a restaurant and boathouse in the city's Roundhay Park.

Roundhay Park

Over £2.9m orders have been won by FAIRCLOUGH BUILDING. Work includes a £1m contract to extend and refurbish Exter College, Oxford. A sixfloor extension will provide a lecture room, offices and 10 study bedrooms. For Esser County Council, Fairclough is building a £750,000 primary school at Harwich by altering and extending a secondary school for North East Thames Regional Health Authority, Fairclough is building accommodation for mentally handicapped people, including a training centre, in the grounds of Safiron Walden Hospital, at a cost of £700,000. Another part of the Amed group, Robert Walson & Co (Steelwork) has a £500,000 contract for the supply and erection of 450 tonnes of steelwork at the old Odhams Press buildings at Watford. The refurbished building will eventually be occupied by the ASDA-MFI Group.

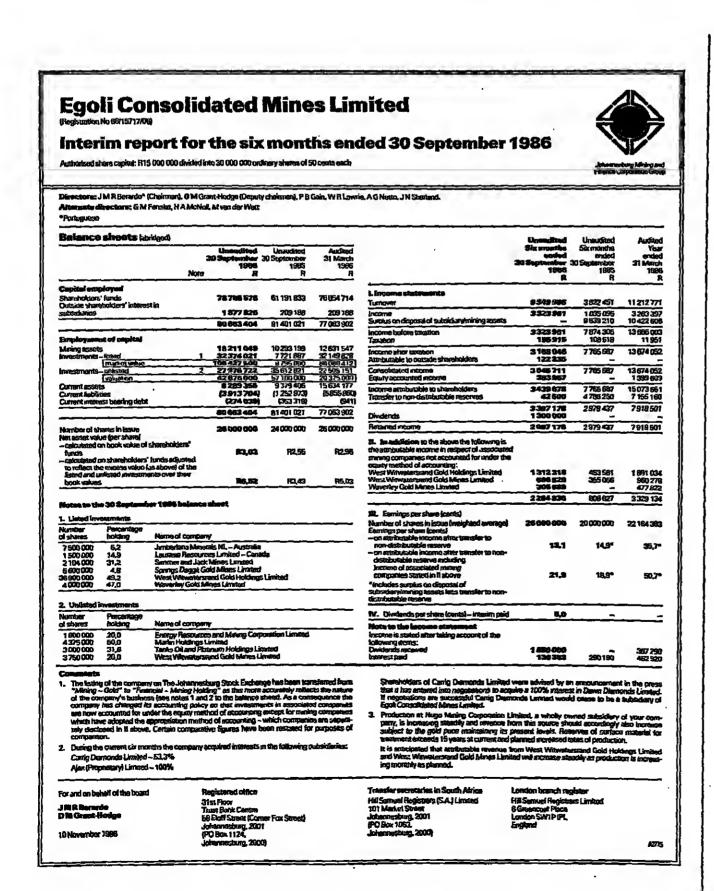
by the ASDAMFI Group.

**HADEN YOUNG has been awarded five contracts worth \$23.95m. The City office will install HVAC and plumbing services under a \$750,000 engineering services contract awarded by Higgs and Hill for the refurbishment of offices at Dorland House. Lower Regent Street.

The Warrington office has received two engineering services contracts totalling \$2.6m. In Barrow in Furness, Norwest Holst acting on behalf of the Northern Regional Academical and electrical engineering services installation contract for phase II of the Furness District General Hospital.

At the Norotel Hotel in Manchester, Shepherd Construction has placed a multi-service design and installation engineering services contract worth £1m.

and installation engineering services contract worth film.
On behalf of the National Mutual Trust, Percy Trentham has awarded a \$500,000 engineering contract for the installation of HVAC and fire protection systems in Herifordshire. In Huddersheld, J. Sainsbury has appointed Haden Young to design and construct HVAC and plumbing engineering services.



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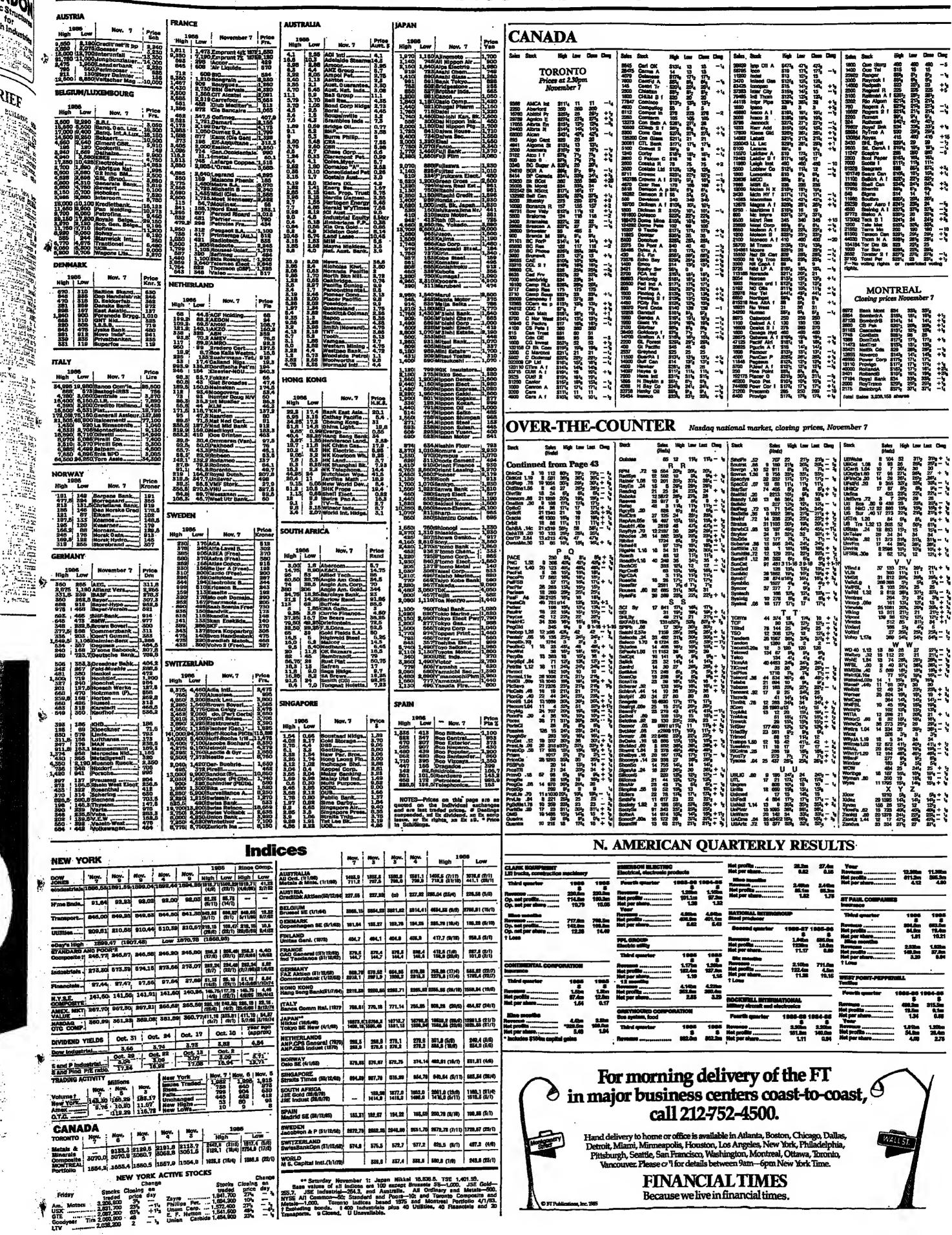
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WORLD STOCK MARKETS



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THE **NETHERLANDS**

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27% +1
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rate at the end of October provided Japanese institutional investors and SENTIMENT SURROUNDING the dollar has changed. Bad news no longer sends dealers rushing to sell

the currency, and good news generally provides a further excuse to elections, with the Republicans los-Ronald Reagan, but the foreign exchanges failed to react. On the other hand better economic data has led to forecasts the dollar will move outside its recent range, which has put a ceiling on the currency of around DM 20750, and will soon

20-YEAR 12% NOTIGHAL GIL E50,000 32mm of 100%

THREE-MONTH STERLING 6500,000 points of 100%

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FOREIGN EXCHANGES

support for the dollar, because there is little expectation the US will follow in the immediate future.

News no longer upsets the dollar

Whether foreign demand at last week's US Treasury auctions was high enough to give further assist-ance was not clear. Almost the entire \$25tm of three-year, 19-year and 30-year paper sold by the Treas-ury went to the New York district. The three-year notes were expected to ettract almost wholly domestic interest, and this proved to be the case, but the US credit markets were to the discrete would be strong foreign bidding for the longer dated paper. The main area of foreign demand was expected to come from

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this was hard to judge. About 96 per cent of the 10-year notes and 94 per cent of the 30-year bonds sold at auction were taken up by the New York district, which means the US investment banks Lyoch; Morgan Stanley and Salomon Brothers, but the unknown figure was how much of that paper had

A dealer at a large US commercial bank put the figure of Japanese demand at the anction of \$9.27bn of 30-year bonds at around 54bn. The result was not a disaster, but the retail market did

Estimated volume total, (Previous stay's open ins, CHICAGO

94,31

not take it well. The average yield of 7.54 per cent was not as low as at one time hoped. The market was full of rumours in the early it was suggested Salomon Brothers were making a "bullet" bid for about 33 per cent of the 30-year bonds at a yield of 7.50 per cent, but this soon proved ground-less, and dealers quickly revised their expectations to a figure

fairly near the final outcome. Apart from the mid-term elec-tions and the Treasury auctions the other major event of the week for the market was Friday's Octo-ber US unemployment. The

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

POUND SPOT-FORWARD AGAINST THE POUND

1.0810-1.0820 2.94-2.95 2.14.03-215.70 196-93-197-22 205-94-2053-2 10.71-10.72 9.501-9.6114 10.001-10.0015 232-233 20.75-20.77 2.444-2.454

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

294-2951

2,3867-2,3886 2,3215-2,3460

pared with forecasts of 6.8 per cent to 7 per cent, but a more encouraging factor for the dollar was a rise of 298,000 in non-farm employment, against expectations of 185,000 to 210,000.

The impact was muted however and the US currency was unable to move up to a new trading range.

This was the only important economic news released last week. This week forecasters see a rise of about \$8bn in today's September US consumer credit. largely because cut price finance deals encouraged a high level of car sales.

EMS EUROPEAN CURRENCY UNIT RATES

an equally modest increase of 0.2 per cent, but in the present circumstances these figures should be enough to keep a firm base under the dollar. £ IN NEW YORK +1.09 +1.09 -0.52 -0.33 -0.28 +0.59 -2.03 STERLING INDEX

Friday will be a heavy day as far as US statistics are concerned

October retail sales are expected

to fall about 4 per cent to 44 per cent, although Morgan Stanley has forecast a decline of 5.6 per

cent, reflecting the drop in car-sales as finance incentives have

come to an end. Inflation is fore-

October retail prices rising a mod-

est 0.1 per cent to 0.2 per cent Industrial production for the same month is expected to show

CURRENCY RATES

FORWARD RATES **AGAINST STERLING**

CEUEL HAS CLEARED US\$

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TRANSACTIONS IN EURO-SECURITIES **SINCE 1ST OF JANUARY 1986**

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MONEY MARKETS

Hous day's open int 1,613 (1,591)

247.20 248.20 247.20 247.75

Spot 1-orth, 3-orth, 6-orth, 12-orth, 1,4260 1,4202 1,4088 1,3929 1,3650

CURRENCY FUTURES POURS-S (FOREIGN EXCHANGE)

Cautious optimism in London

rates were slightly softer last week, but the yield curve was almost flat on money market rates almost flat on money market rates from the overnight through to the year, suggesting there was little confidence in predicting the fourtre trend.

The Autumn Statement by Mr Nigel Lawson, Chancellor of the Exchequer, left dealers rather confused. The gith market reacted predictably to fears of a Government U-turn on economic policy, ment U-turn on economic policy, and the product of the possibility of rising inflation and a weaker pound on the announcement that UK public spending in 1987-88 will total \$148.66m, a rise of £4.76m from the figure published in the Budget. According to a survey of 11 economists working for London based market makers, conducted by Money Market Services, before

UK clearing bank base lending rate 11 per cent since October 15

tid 5 12) Offer 6 & BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES Prime rates
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andon—band I bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days od band 4 bills 64 to 92 dilys. Rates quoted represent Bank of England buying or selling rates with

tion. There was no surprise in the Chancellor's forecast of 3.75 per cent inflation in the fourth quarter of 1987, but the economists surveyed came out with a median figure of 4.6 per cent when asked what the forms would be and this what the figure would be, and this was before they knew the higher level of public spending. On the other hand the Government's estimate of a current account deficit of £1.5bn in 1987 was considered

confused. The git market reacted predictably to fears of a Government U-turn on economic policy, with long dated stocks showing losses of about £1 on Friday, after dealers had a chance to digest Thursday's news. Fears centred

According to a survey of 11 realistic, reconomists working for London realistic, The alternative way of looking by Money Market Services, before at the Chancellor's figures was to ding was forecast to rise by only find the discation and housing made it more likely the Conserva-

the City was reasonably content. Earlier in the week an opinion poli taken by Harris Research Centre for TV-am showed the Tories in the lead over Labour. Sentiment was also encouraged by higher oil prices, on rumours of production cut backs by Saudi Arabia, and suggestions that Kuwait is to return fixed prices. Although Mr Lawson's statement caused general nervousness and uncertainty, a clearing bank was optimistic enough on Friday to predict base rates will fall within the next few weeks.

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